



2025

ANNUAL REPORT

BUILDING GENERATIONAL INFRASTRUCTURE

2025 marks 90 years of service for Mason PUD No. 1. This milestone gives us a chance to reflect on the generations of local utility workers and leaders who built the systems you rely on every day. Starting with the vision of our founder, Morrison Pixley, and the early construction of electric lines serving rural homes and businesses along the Hood Canal, to the growth and expansion of the power grid up to Brinnon, and the growth of our water business to 77 water systems across the county, each generation met the needs of its time. Throughout it all, our mission has remained the same- providing reliable utility services and keeping them as affordable as practical.

Our internal system maps show when our infrastructure was built out over the last nine decades. Initial expansion began in the 1930s and 1940s, followed by new substations in the 1950s, and continued line extensions through the 1960s, 70s, and 80s as pockets of residential communities sprouted up along the Hood Canal. The population we serve has grown rather slowly over time (today we serve just over 5,600 electric customers) but much of the infrastructure supporting those homes and businesses is now nearing the end of its useful life. Our water business has also expanded through system acquisitions and now includes about 3,300 water accounts, many of which also depend on aging pipes and undersized facilities.

Today's PUD leadership team and Commission are focused on both reliable service and affordable rates. These goals can be difficult to balance, especially as our operating and construction costs rise and regulations change. To help manage those pressures, we have aggressively pursued grant funding to reduce the cost of critical upgrades. As a result, we are replacing substations, rebuilding major power lines along highways, removing outdated direct-burial cables, upgrading water mainlines, and building new water storage and facilities, all with the assistance of grant funding to minimize impacts to your rates. Our grant funding hit the \$32 million mark in 2025 and continues to climb. We were able to offset portions of scheduled power and water rate increases again for the second year in a row thanks to these grant funds.

As we look ahead to the next 90 years of service, we want this current period to be remembered as a time when your utility made smart, forward-looking investments. Most importantly, we want you to see the results in the form of fewer outages, improved power and water reliability, and infrastructure that will serve our community well for this generation and the next.

Thank you for trusting us to provide your essential utility services for these past 90 years. We're proud to serve you.



Kristin Masteller
GENERAL MANAGER



Ron Gold
BOARD PRESIDENT

YOUR PUD TEAM



PUD 1 RATEPAYERS

BOARD OF COMMISSIONERS

Commissioner District 1 MIKE SHEETZ	Commissioner District 2 RON GOLD	Commissioner District 3 JACK JANDA
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GENERAL MANAGER
KRISTIN MASTELLER

ENGINEERING MANAGER
JEREMIAH W.
Engineering Tech
RICK B.

Legal Counsel
ROB JOHNSON

CPA Firm/Auditor
MIKE WITTENBERG

DIRECTOR OF BUSINESS SERVICES

KATIE ARNOLD

Credit/Collections Bookkeeper
LISA C. JOYCE G.

Customer Service Reps
LILI P.
CASSANDRA S.

IT Contractor
HOOD CANAL
COMMUNICATIONS

WATER RESOURCE MANAGER

BRANDY MILROY

WATER SUPERINTENDENT
TJ GOOS

Water Foreman ROOSTER O.	Water Techs COLE C. ERIC J. KOBE V. TYLER S.
Engineering Tech MADISON D.	

ELECTRIC SUPERINTENDENT

JOSH GARLOCK

Line Foreman MIKE R.	Purchaser JORDAN A.
Linemen BARNEY B. MIKE Y. TIM B. CHRIS C. RUDY G.	Meter Reader/UP PHENIX O.
	Apprentice Linemen REESE S.

PUD 1 COMMISSIONERS



MIKE SHEETZ

DISTRICT 1
 (Union and Alderbrook)
 Term: 2023-2028

Mike Sheetz is serving his second term as Commissioner for the District.

Contact Mike Sheetz at
(360) 898-7934



RON GOLD

DISTRICT 2
 (Skokomish Valley & West Union)
 Term: 2021-2026

Ron Gold is currently serving his fourth term as Commissioner for the District.

Contact Ron Gold at
(360) 490-1560



JACK JANDA

DISTRICT 3
 (Potlatch to Jefferson Co.)
 Term: 2025-2031

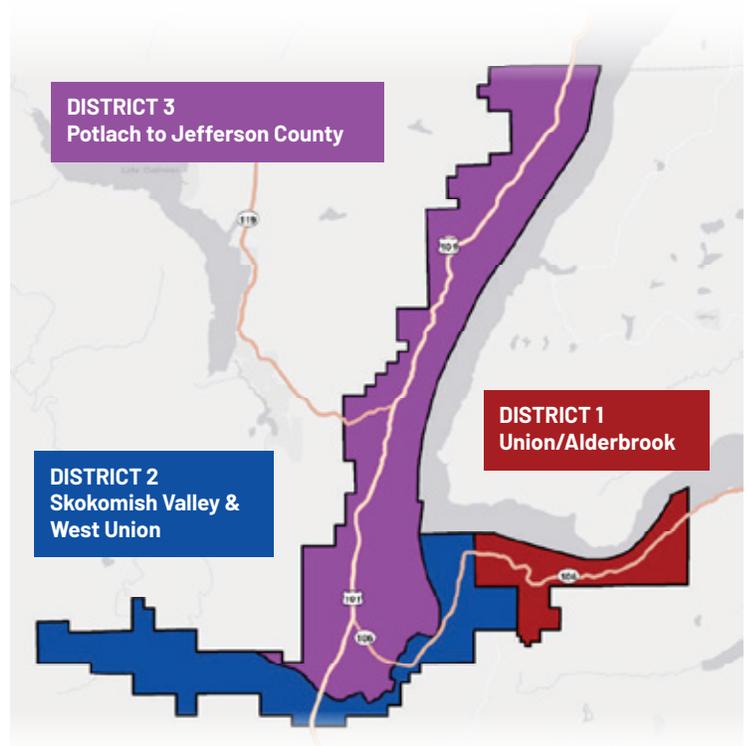
Jack Janda is serving his fourth term as Commissioner for the District.

Contact Jack Janda at
(360) 490-1800

PUD 1 VOTING DISTRICTS

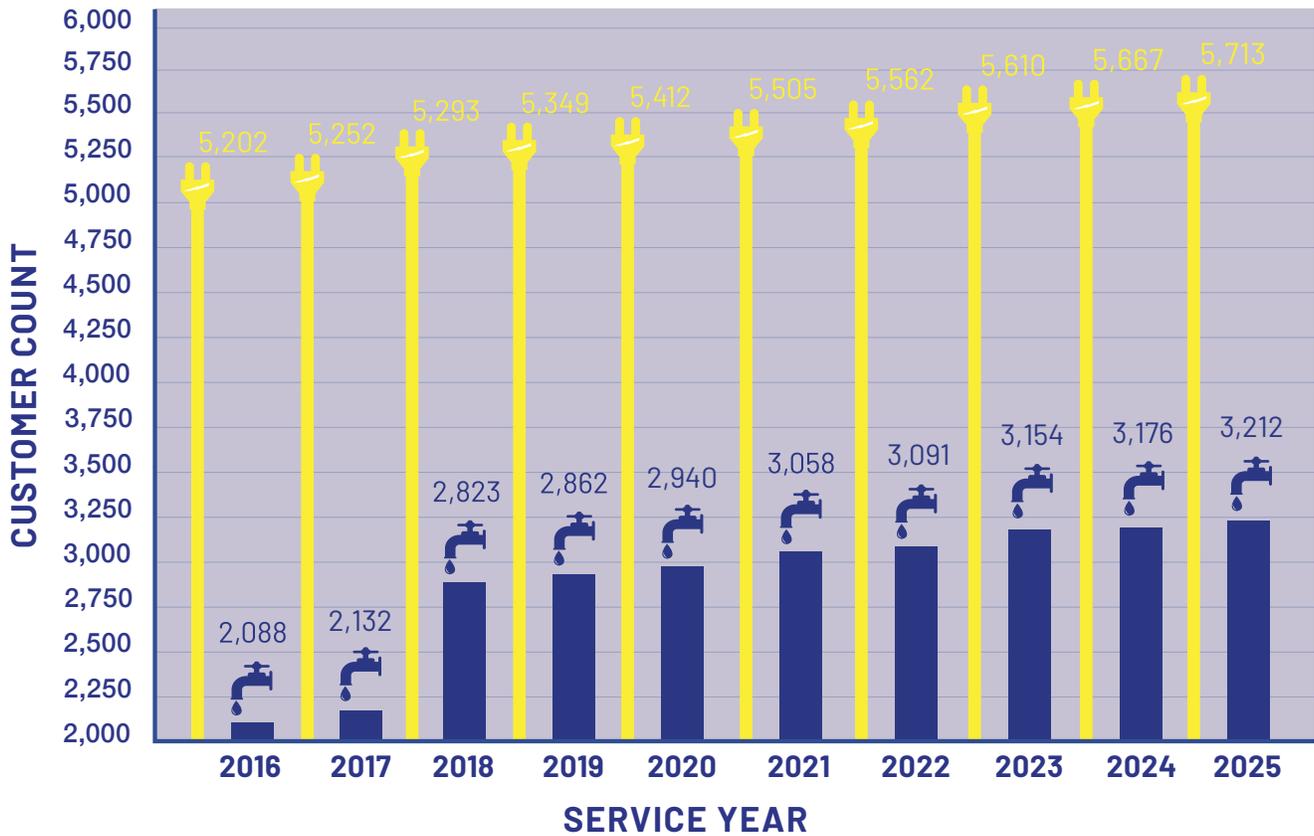
Mason County PUD No. 1 is a publicly owned entity governed by a Board of Commissioners elected by you, our ratepayers. The District is divided into three smaller voting districts and one commissioner is elected from each of these districts. They each serve a six-year term. The commission sets District policy, approves budgets and expenditures, as well as the strategic plan.

Board of Commissioners meetings are open to the public and held virtually and in person. Customers and members of the public are encouraged to attend board meetings, which are typically held the second and fourth Tuesdays of each month at 1:00 p.m. The information is listed on PUD’s homepage at www.mason-pud1.org or can be provided by calling the PUD office. Board packets and special meeting announcements are also posted on the homepage of the website for public viewing.

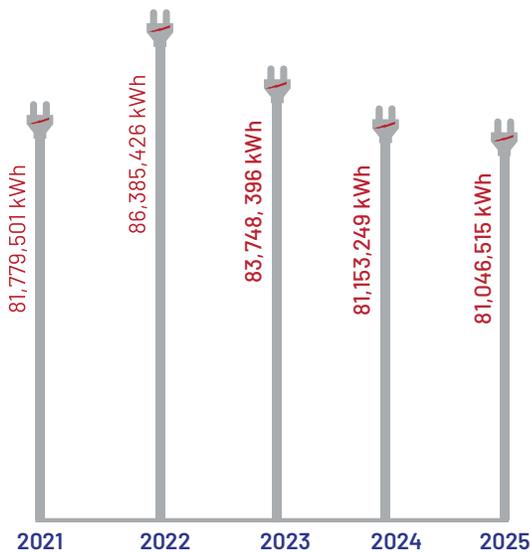


2025 QUICK STATS

WATER AND ELECTRIC CUSTOMER COUNTS



KILOWATTS SOLD



KILOWATTS SOLD PER YEAR

2025 OPERATING BUDGETS



SAFETY

 **53,707**
HOURS WORKED
IN 2025

 **1**
INCIDENT, AND
NO TIME LOSS IN 2025

 **1ST PLACE**
SAFETY AWARD FROM
NORTHWEST PUBLIC
POWER ASSOCIATION

 **2025**
GOLD STATUS SAFETY
AWARD FROM AMERICAN
PUBLIC POWER ASSOCIATION

2025 was a big year for our safety program at PUD 1. We received a national Safety Award of Excellence from the American Public Power Association as well as the 1st Place honor in the Northwest Public Power Association’s Safety Contest in the Group A category (less than 75,000 worker hours). These awards recognized the PUD team for zero-time loss hours.

In addition to the stellar safety record that employees earned in 2024 and 2025, the PUD also took the opportunity to partner with our local fire and EMS departments on joint training and infrastructure collaborations to provide additional safety benefits for our community.



In April, the PUD invited Fire District 6 (Union) to use the abandoned house on our Manzanita Campus as a practice burn training for staff and volunteers. This marked the first time that FD 6 was able to conduct this type of training locally without having to travel large distances. This enabled West Mason Fire (Dayton/Skokomish Valley) and Hoodspout Fire & EMS to participate in the drill as well. Allowing FD 6 to use the house for the practice burn allowed the PUD to get one more beneficial use out of it before it was cleared to make room for the water storage construction on the site.

PUD 1 also presented at the Mason County Fire Chiefs’ meeting to discuss water storage and hydrant availability on PUD 1 water systems throughout the county. The purpose of this meeting was to assist the fire departments in locating available water for fighting fires and to collaborate with the fire departments on local training to exercise and test hydrants in their service areas and report water usage back to the PUD, so we know why the monthly usage looks high if a hydrant was used. The PUD created a public facing map on our website to help the fire departments quickly locate operable hydrants in their districts that have sufficient fire flow. As part of PUD’s design standards and collaboration with the county Fire Marshal, when we construct water storage facilities on our systems now, we include a hydrant at the facility specifically for the local fire departments to help expedite fire response. This partnership will help increase the level of service PUD customers receive from both the PUD and their fire protection districts.



CUSTOMER APPRECIATION



CUSTOMER APPRECIATION



CUSTOMER APPRECIATION



COMMUNITY

Public Utility Districts are deeply rooted in our communities. Many of PUD 1's employees volunteer in their free time in numerous activities and causes throughout our community on local nonprofit boards, schools, food banks, youth sporting teams, and various community fundraising events. PUD 1 also supports local causes and events such as the KristmasTown Kiwanis, Fjordin Crossin, Union beautification projects, Forest Festival parade, Brinnon VFW & Ladies Auxiliary parade, Holiday Magic event and parade, and hosting schools, such as the Charles Wright Academy, to learn about how PUDs operate. We are community-powered and appreciate the opportunity to serve our family and neighbors both at work and at home.





NEW INFRASTRUCTURE

Substations are a big part of our focus in coming years. The Manzanita Substation was completed and placed in service after several years of planning and preparation. This new substation is sited on the PUD's Manzanita Campus, located at the corner of McReavy Road and Manzanita Drive in Union. This substation replaced the 60+ year old Union substation on Dalby Road. It has the capacity to serve growth in the Union area for the next 50 years.

The PUD has applied to several different federal and state funding opportunities to help move the Jorstad Substation forward without impacting electric rates. We received a \$3 million grant from the Washington Grid Resiliency Program to start the engineering and design of this middle-mile resiliency substation that will help keep customers in service from Lilliwaup to Mt. Walker during BPA outages, extreme storm events, and PUD maintenance outages by providing a redundant power feed to the grid. In addition, Congresswoman Emily Randall chose the Jorstad Substation project for her Community Projects Fund congressional appropriations. If Congress passes a budget in 2026, the PUD will receive \$1,145,144.00 to assist in the project. If not, the PUD will reapply for next year. The PUD also has submitted four other funding requests to help move the project forward to construction. Starting in 2026, the design and engineering will begin, and the construction of the two underground feeders will be completed along USFS Road 24 and Jorstad Creek Rd., which will eventually connect the substation to the 3-Phase mainline that runs along U.S. Highway 101.

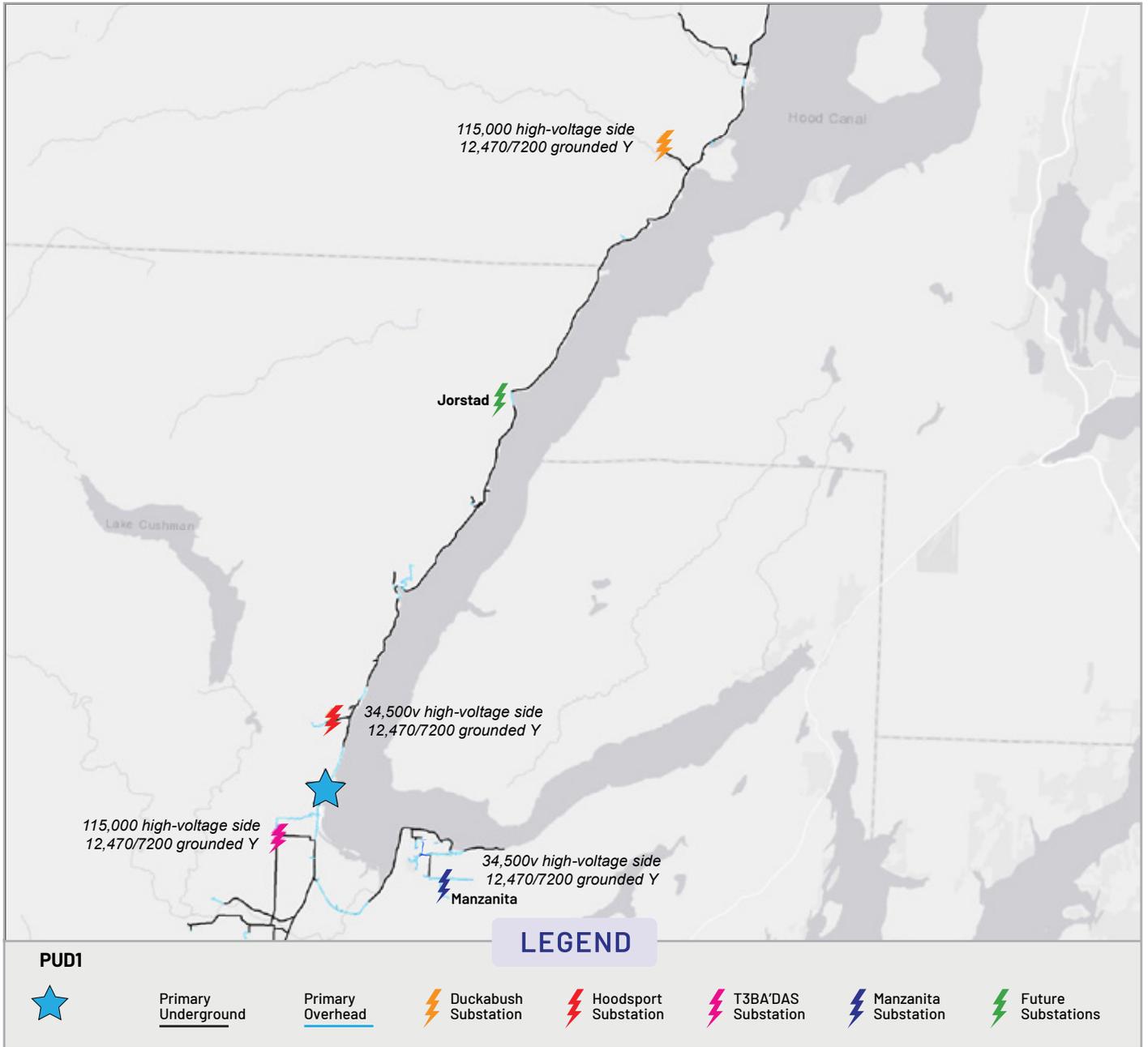
Part of our grid resiliency strategy is to create loop feeds for the north and south ends of our system. FEMA is processing our grant request to intertie the two southern substations (Manzanita in Union and t3ba'das in Potlatch) to enable each of those to be taken offline for maintenance and to switch feeds between them during outages and emergencies. Jorstad Substation will be the redundant feed for the north end subs (Hoodsport and Duckabush).

IMPROVING THE SYSTEM

The PUD made significant progress on our 2025 work plan, continuing our focus on rebuilding sections of aging underground line in problem areas as well as completing overhead-to-underground conversions. The major rebuild project in 2025 was on U.S. Hwy 101 at the Skokomish Reservation from N. Valley Drive to Sunnyside Road, which converted 6,100 feet (1.15 miles) of troublesome overhead 3-Phase line to underground. We also replaced 41 poles and 10,865 feet (2.06 miles) of overhead mainline. Previous tree damage required several splices in this section of line and the hillside presented persistent slide and tree issues. Already this year, we realized the benefits of this line conversion project as our newly placed underground lines were protected from trees that slid down the hillside during rainstorms. This \$1,391,303.34 project was funded by FEMA.

The electric crew also completed several rebuilds of sections of line in problem areas. This included converting the overhead line to underground on Shar Lane, Eagle Creek, and Dalby Road. Shar Lane and Eagle Creek were FEMA funded, as were several reclosers that were installed throughout the system to protect the grid. Three reclosers were installed under this grant. This work was in addition to the major transmission and distribution work completed in preparation for commissioning the new Manzanita Substation, which was brought online on October 1st.

SUBSTATIONS



Manzanita Substation

VEGETATION MANAGEMENT

Working in the Olympic Rainforest and along the Hood Canal, we have some of the world's most pristine scenery as our daily backdrop, but it also creates challenges for electric reliability. Due to the terrain and enormous expense of underground construction, the PUD cannot underground most of the lines that run along Highway 101 and under the rainforest canopy that hangs over cliffs above the lines. Tree related outages are inevitable. However, the PUD has increased its budget and in-house efforts to trim back the vegetation and remove danger trees to help avoid nuisance outages and wildfires.

Contractors completed 11 miles of 3-Phase trimming along the power lines on Hwy 101 this year in Lilliwaup and Hoodport. They also trimmed "hot spots" that have grown fast and are contacting lines on U.S. Hwy 101. The contractors also removed 12 danger trees threatening the power lines. This is in addition to the numerous tap lines, danger tree removals and hot spot trimming that the line crew does each year.

Each year the PUD budgets for 1/7 of the 3-Phase system along Highways 101 and 106 to be trimmed and a separate amount for danger tree removals to be performed by contractors, while the in-house crew focuses on the side roads and single tap lines. The PUD also trimmed sections of Highway 101 on the Skokomish Reservation in 2025 in conjunction with the FEMA rebuild project.

Because our small operating budget is not able to sustain a comprehensive trim that will get us ahead of the fast growth in our area, the PUD applied for a \$972,650 grant through FEMA for vegetation management and danger tree removals and will reapply for a \$4 million grant through the U.S. Forest Service for vegetation management in Jefferson County. The FEMA grant is moving forward for review in 2025 and hopefully will be approved in 2026.

RENEWABLE ENERGY PROJECTS

SOLAR POWER

The PUD hosts two community solar projects on the PUD's main campus.



Community Solar I was commissioned in 2016. It's 19.25 kw in size and produced 21,278 kilowatt hours of renewable energy in 2025, equating to a total of \$1,992.45 in bill credits. There are 113 customers that participate in this project.



Community Solar II was commissioned in 2020. It's just over 53 kw in size and produced 49,483 kilowatt hours of renewable energy in 2025, generating \$11,193.82 in incentive payments and bill credits for participants. 42 customers are general participants in this project, earning a combined total of \$4,195.08 in state incentive payments and \$3,199.10 in total bill credits for the year. 10 customers are part of the low-income portion of this project and received a combined total of \$3,799.64 in bill credits.

In addition to our community solar projects, 54 of our customers have their own rooftop solar arrays, with a nameplate capacity of over 527 kilowatts.

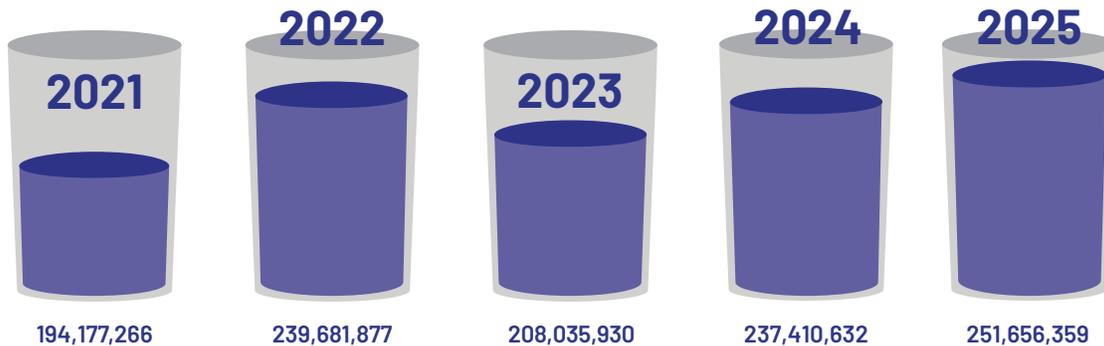
HYDRO POWER

The PUD also has two customer-owned hydroelectric generators on our system. The largest sold over 6 megawatts of clean, renewable hydropower back to the PUD in 2025.



WATER

GALLONS OF WATER SOLD



WATER SYSTEM PLANNING

Alderbrook water system design for a reservoir and booster station at our Manzanita Campus design was completed and approved by Department of Health (DOH). The project went out to bid in 2025 and awarded to Rognlin's Inc. and the project is slated to be completed by June 2026. Once completed, the Manzanita Water Storage project will allow for additional storage to supply the Alderbrook water system.

Agate Beach reservoir and booster station building project was completed. This project provided an additional 26 water connections to the system, to allow for undeveloped properties to connect to the public water supply.

Arcadia Estates water system received a grant from Washington State Drinking Water State Revolving Fund (DWSRF) for a water system plan update and design for Iron and Manganese Treatment. The water system plan update and design are underway and will be completed in 2026.

Bay East water system Iron and Manganese Removal Treatment design was completed and approved by DOH. The PUD purchased additional property from an adjacent property owner to accommodate the new building to house the treatment system. We are currently working with Mason County to combine our new property with our current property, once this is completed the project will go out to bid in 2026.

Big 5 Consolidation was a project the PUD applied to DWSRF in 2024. It will consolidate Cherry Park, Island Lake Manor, Lakewood, Springwood, and Woodland Manor water systems, design a reservoir, PFAS treatment, and mainline to connect all five systems. Grant funding was awarded and the design is currently underway, to be completed late 2026, with plans to go out to bid in 2027.

Canal View mainline and system improvements design are still being designed, with small treatment changes that need to be modified. Once completed, this will go to DOH for review and out to bid in early 2026.

Highland Park water system design for a reservoir and booster station at our Manzanita Campus design has been completed and approved by DOH. The project went out to bid in 2025 and awarded to Rognlin's Inc. and the project is slated to be completed by June 2026. This project, once completed, will allow for additional connections for the Highland Park water system.

Lake Arrowhead Phase 2 mainline replacement was completed late 2025. This project was rebid earlier in the year, and Rognlin's Inc. was awarded the project. This completes all of Lake Arrowhead's mainline replacement to bring down the distribution leakage.

Shadowood water system improvement design was approved by DOH and went out to bid mid-2025. The project was awarded to JMG Constructors and has a completion date of May 2026.

Vuecrest reservoir and booster station were completed in early 2025. This project provided the Vuecrest and Union Ridge water systems to be consolidated and allowed for an additional 48 connections for the undeveloped properties in the combined water system.

WATER PROJECTS

Much like the electric business, the water side also struggles with aging infrastructure that needs to be upgraded and replaced. To ensure compliance with state drinking water regulations, the PUD has prioritized several projects to reduce distribution system leakage, ensure maintenance and safety of our reservoirs and pump houses, while continuing to put out the regular day-to-day fires with emergency leak repairs, adverse sample results, and keep up on our maintenance schedule.

- Our water technicians responded to 547 service calls in 2025, in addition to their scheduled projects.
- Over 700 feet of mainline were replaced in **Alderbrook** water system, 2,500 feet in Hamma Ridge water system, 1,500' at Lake Arrowhead, and 285' in Union.
- **Bolduc** and **Madrona Park** water systems had backup generators installed at their pump houses to ensure water is available during power outages.
- We decommissioned four unused wells with grant funding including: **Twanoh Heights** well that was damaged in the 2001 earthquake, a test well at **Lake Arrowhead**, and test wells 1 and 2 at **Highland Estates**.
- Replaced 4 failing well pumps at **Alderbrook, Enchantment Heights, Rainbow Lake, and Vuecrest**.
- Replaced 2 failing source meters: **Black C** and **Mt. View**.
- Repaired 18+ leaks in various water systems.
- Replaced 2 booster pumps, one each in **Cushman Inc.** and **Highland Estates**.
- Replaced 5 variable drives that run booster pumps.
- **Canal Mutual, Hood Canal, Lakewood Heights, Mt. View, Pirates Cove, Tiger Lake, Twanoh Heights, Union, and View Ridge Heights** reservoirs were cleaned and inspected.



Vuecrest

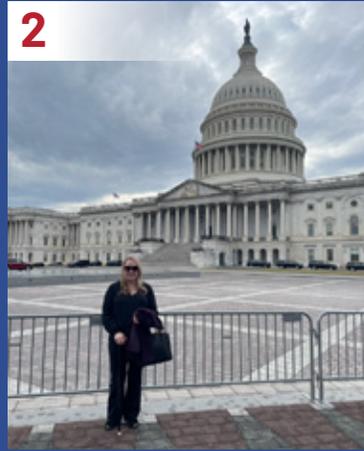


Shadowood



Lake Arrowhead

ADVOCACY



1 PUD 1's Customer Service Representative Liliana Pacheco, Director of Business Services Katie Arnold, Commissioner Mike Sheetz, and Lucy Masteller work the PUD 1 booth at WPUDA's PUD Day on the Hill at the state capitol in Olympia.

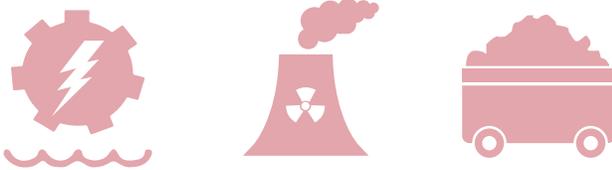
2 & 3 PUD 1's General Manager, Kristin Masteller, advocating for public power in Washington, D.C. during the Public Power Rally.

4 PUD 1's GM and other Washington State PUD leaders meet with Congresswoman Emily Randall to discuss funding opportunities and federal regulatory issues impacting PUDs. PUD 1's substation project was later selected by her office for federal appropriations.

5 PUD 1's GM testifying before the WA House Transportation Committee on the impacts that WSDOT's fish culvert projects are having on public utilities' relocation costs and coordination. Senator Drew MacEwen sponsored this legislation following Mason PUD 1's outreach on this issue.

6 Site visit at Vuecrest Water System with Representatives Travis Couture and Dan Griffey. Vuecrest, Agate Beach and Ripplewood water systems' infrastructure upgrades were funded in part by state appropriations sponsored by our 35th District legislators.

FUEL MIX



2024 FUEL MIX SUMMARY*

*2024's data reported at the end of 2025.



HYDRO 77.04%

NUCLEAR 11.99%

COAL 0%

OTHER 10.97%

NATURAL GAS 0%

BIOMASS 0%

WIND 0.00%

FINANCE AND ADMINISTRATION

CUSTOMER SERVICE

Customer Service staff continued to build upon the services offered to our customers in 2025. The customer-funded Canal Comfort Fund was moved in-house last year, so PUD 1 customers can qualify here at the PUD office for financial assistance, and we continued to work in partnership with OlyCAP and the Community Action Council on federal programs like LIHEAP, and SHEAP. In 2025, the PUD customer service and finance team distributed **\$527,870.14** directly to customers through various programs that the PUD administered. The PUD also expanded the conservation program, thanks to two grants received from Bonneville Power Administration.



QUICK STATS

\$118,885.69 was disbursed to customers for bill assistance including: **\$88,024** in LIHEAP and SHEAP assistance, and **\$30,861.69** from other various programs to help low-income households.

\$334,317.40 in energy rebates were issued in 2025 to customers who made approved upgrades to their homes and businesses. The PUD was able to continue the two low-income rebates for washer and dryers and ductless heat pumps in 2025 thanks to the Bonneville Power Administration grant. Of the total energy rebates issued in 2025, **\$27,200** went to 17 low-income customers to pay for a new energy efficient washer and dryer, and **\$116,960** went to 19 low-income customers to install a ductless heat pump.

\$22,580 was paid out in bill credits to **2,258** participants who chose to receive paperless statements. By going paperless, these customers saved the PUD just over **\$45,000** in printing and shipping costs. We shared those savings with the participating customers by applying a \$10 bill credit in October to each account that made the choice to receive electronic billing statements.

\$10,114 was donated by generous PUD 1 customers in 2025 to help **67** low-income households with their power and water bills.

\$6,787.09 was issued in bill credits to customers who participated in the two community solar projects. **\$6,357.96** in state incentives were also paid for the Community Solar II project.

\$28,828 in commercial lighting rebates was disbursed- **\$14,571** to Brinnon School District and **\$14,257** to the Skokomish Indian Tribe.

FINANCIAL POLICIES

The Board of Commissioners sets the financial policies for the District with recommendations from the District Auditor, District Treasurer and General Manager. Several financial policies have been implemented with the COSA and recommendations from the Washington State Auditor's Office. Here are a few highlights:

Reserve Funding

Funding of 5 days of cash-on-hand annually, to reach the policy goal of 90 days. These operating reserve funds are invested in the Local Government Investment Pool (LGIP) and earned an average of 5.35% in 2025. By the end of 2025, the interest rate was at 4.60% which remains high but has decreased in the last quarter of the year as the Federal Reserve continues their control to help reduce inflation. We expect the interest rate to drop further in 2026. The purpose of this cash-on-hand is to ensure that the PUD's power bill to BPA can be paid, that we can make payroll for our employees, keep our fleet rolling, and purchase necessary materials and supplies, even when we are not able to collect revenue for an extended period of time due to extreme emergencies we've recently experienced like disaster declarations, pandemic, etc.

Funding of Debt Reserves- 1% of the budgeted revenue is earmarked specifically toward paying down the District's long-term debt. This funding, in addition to the interest earned by investing the balances in the LGIP, will help the District pay off its debt almost 10 years sooner than the original amortization schedule, creating savings of about \$464,700 in interest expense, or about 4% of our operating budget.

Debt Policy

The purpose of this policy is to ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the District. Adherence to the policy is essential to ensure that the District maintains a sound debt position and protects the credit quality of its obligations.

Investment Policy

This policy directs the PUD to: invest public funds in a manner which will minimize risk, meet daily cash flow demands, conform to all state and local statutes governing the investment of public funds, and provide a market rate of return though budgetary and economic cycles.

FINANCE AND ADMINISTRATION

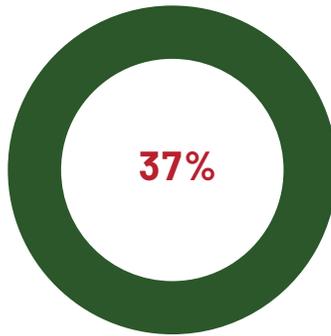
LGIP INVESTMENT ACTIVITY 2025

	1/1/2025	Transfer In	Interest Earned	Transfers Out	12/31/2025
TOTAL ALL FUNDS	\$5,435,523.05	\$2,663,940.00	\$92,943.43	-\$5,992,250.49	\$2,200,155.99



DAYS CASH ON HAND

GOAL: 90 DAYS
 2021: 45 DAYS
 2022: 60 DAYS
 2023: 67 DAYS
 2024: 69 DAYS
 2025: 66 DAYS



DEBT TO EQUITY RATIO

GOAL: LESS THAN 50%
 2021: 49%
 2022: 42%
 2023: 37%
 2024: 34%
 2025: 37%

*This metric helps us track our debt service to ensure that the PUD is not overleveraged.



TIER

GOAL: 2.0 (minimum)
 2021: 3.94
 2022: 4.86
 2023: 3.91
 2024: 5.26
 2025: 4.39

*Must keep TIER at or above 1.25 to comply with bond covenants.



DEBT SERVICE COVERAGE

GOAL: 2.0 (minimum)
 2021: 2.39
 2022: 2.91
 2023: 2.84
 2024: 3.15
 2025: 3.27

*Must maintain DSC at or above 1.25 to comply with bond covenants.

FINANCE AND ADMINISTRATION

GRANTS

The District actively pursues grants and low-cost financing to assist in tackling capital improvement and strategic workplan projects. A total of **\$29 million** in applications were submitted in 2025. **\$13,106,532.50 in grants** were awarded in 2025 and **\$698,848.50** in a 1.75% low-interest loan. This includes funding from Department of Health, Department of Ecology, Department of Commerce, U.S. Department of Energy, FEMA, state and federal budget appropriations, and other grant makers. While many applications were either approved or not selected in 2025, some will be decided and announced in 2026. As of December 2025, the PUD's running grant total exceeded \$32 million.

- In 2025, the District received **\$2,020,000** in grants from the state's capital budget to relocate utility infrastructure at Duckabush, Hwy 106 in Union and Lilliwaup Bay.
- FEMA: The 2023 FEMA Post-Fire Mitigation grants are still moving through the approval process, and we are hopeful of receiving an award letter in 2026 (**approximately \$1,530,540**). These projects include backup generators on 10 water systems and vegetation management along PUD rights of ways. The PUD received notice that two FEMA hazard mitigation grant applications were moving forward. The first would pay for the final phases of the overhead to underground conversion at Seal Rock for **\$2,865,333**, and the other would pay for the loop feed between the T3badas and Manzanita substations for **\$1,576,042**.
- The PUD also received funding for two Dept. of Commerce Grid Resilience and Reliability grant projects for the Jorstad Substation (**\$3 million**) and Phase One of the Seal Rock line conversion (**\$1,118,706**). The Seal Rock funding was declined because FEMA also agreed to fund the project, in its entirety and with less of a local cost match.
- **\$50,000** was received from the Department of Health's Source Water Protection Program to continue the groundwater modeling study for the Union Regional Water System.
- **\$1,039,840** was received through state appropriations for the Shadowood Water System storage project.
- **\$4,992,000** was awarded from the Dept. of Health Drinking Water State Revolving Fund for the Big 5 Consolidation, which will consolidate five water systems in Shelton and provide storage and backup generation.
- **\$160,700** was awarded for the Arcadia Estates Water System to update the water system plan and pay for the engineering and design of the Iron and Manganese treatment system.
- **\$1,397,697** was awarded to the Viewcrest Beach Water System for treatment, storage, and backup generation. **\$698,848.50** (50%) of the funding is grant and 50% is a low interest loan.
- **\$1,145,144** was earmarked from Congresswoman Emily Randall's Community Project Fund for the Jorstad Substation. It is contingent upon congress passing a budget in 2026.

MEMBERSHIPS

Where we focus our participation and find value in our association:

American Public Power Association

Washington Public Utility Districts Association

Northwest Public Power Association

Water Resource Inventory Area (WRIA 14b & 16)

Northwest RiverPartners

Evergreen Rural Water Association

Western Electricity Coordinating Council

Energy Northwest

Public Power Council

Washington Public Agencies Group

Mason County Economic Development Council

Shelton-Mason County Chamber of Commerce

KristmasTown Kiwanis

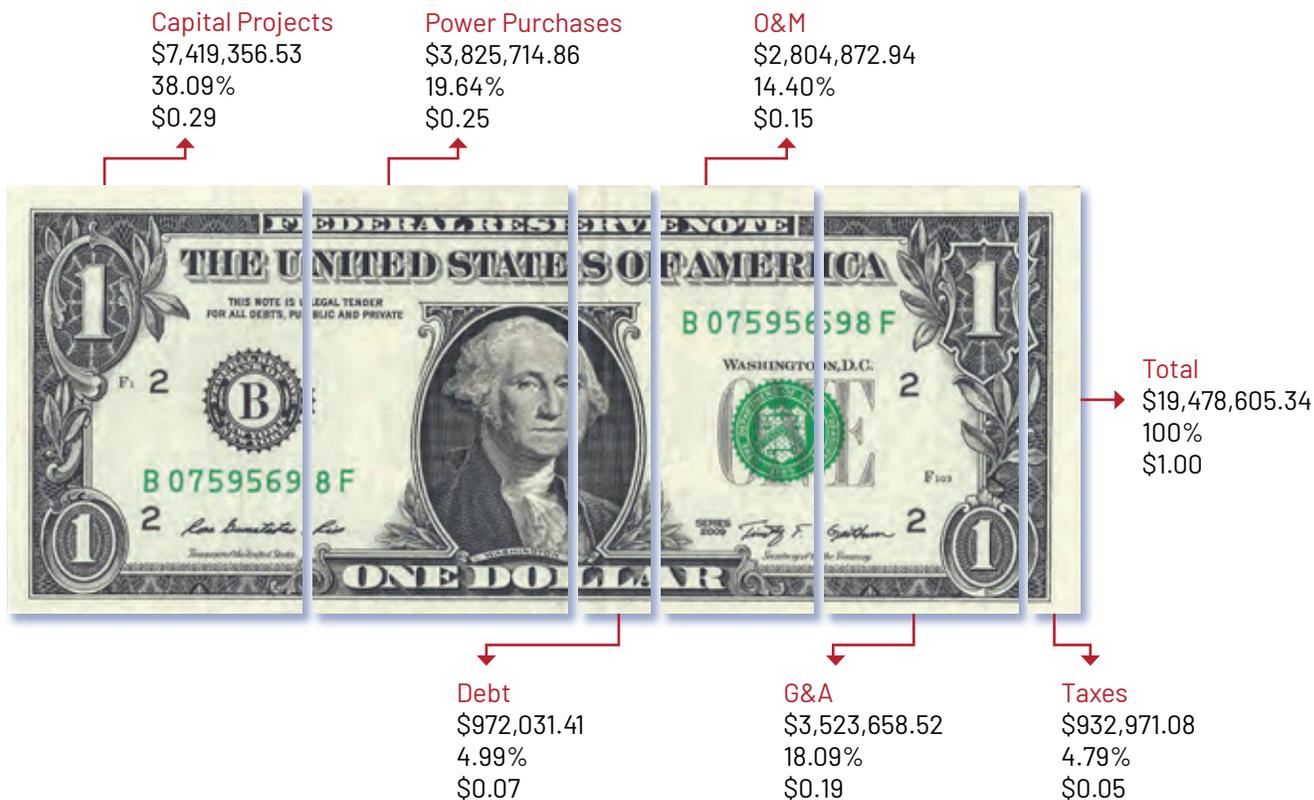
American Water Works Association - PNW Section

Washington Water Utilities Council

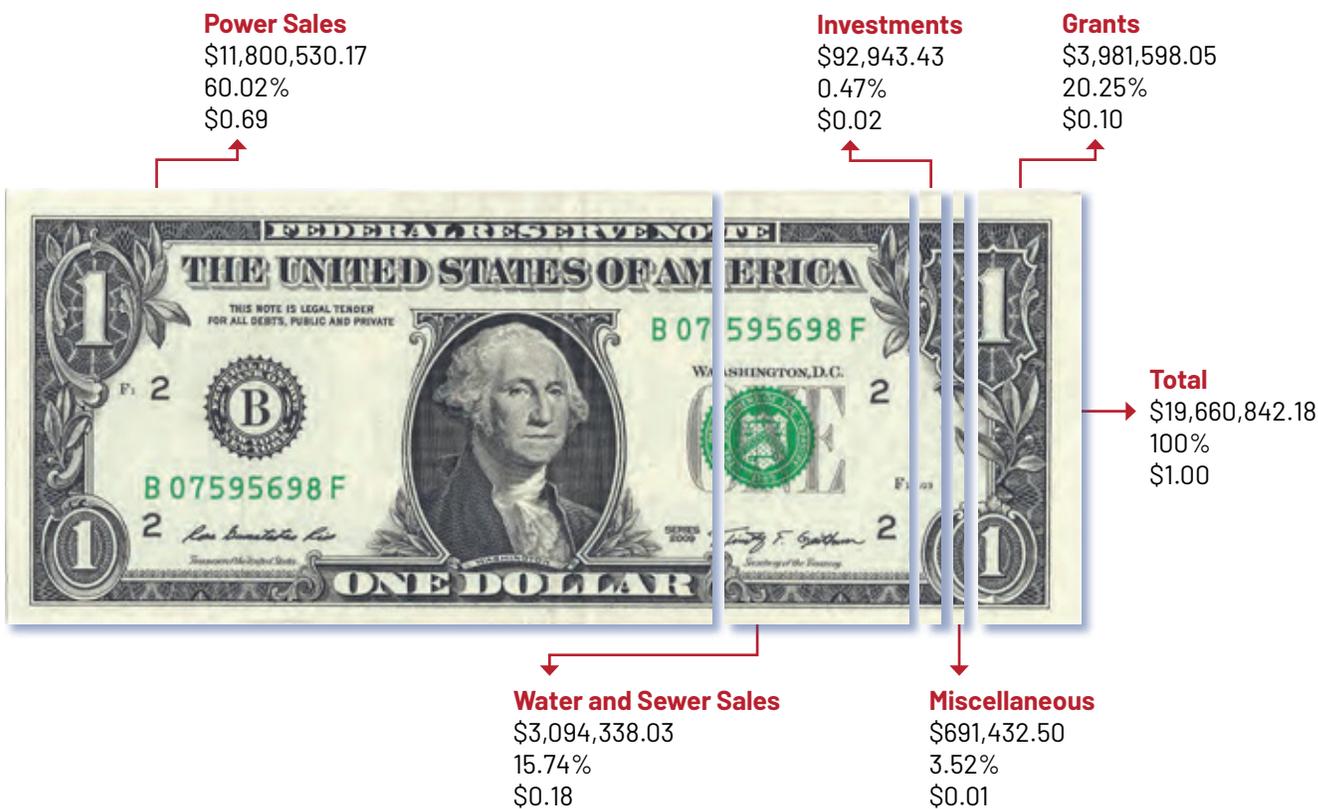
Washington Association of Water and Sewer Districts

FINANCE AND ADMINISTRATION

HOW PUD 1 SPENDS A DOLLAR OF ITS REVENUE



SOURCE OF PUD 1'S REVENUES



MASON COUNTY PUBLIC UTILITY DISTRICT #1

OVERVIEW OF THE STATUS OF BUDGET

2025

STATUS OF BUDGET AS OF DECEMBER 31, 2025

	2025 Actuals	2025 Budget	% of Annual Budget
Revenue	15,336,918.00	14,778,448.00	104%
<u>Expenditures</u>			
Distribution Operating & Maintenance	2,809,983.00	2,970,470.00	95%
Energy Services	3,825,715.00	4,254,894.00	90%
General & Administrative	3,518,818.00	3,342,608.00	105%
Tax, Depreciation, & Interest	3,352,527.00	3,318,769.00	101%
TOTAL EXPENDITURES	13,507,043.00	13,886,741.00	97%
NET OPERATING MARGINS	1,829,875.00	891,707.00	205%

The District's total revenue was 4% higher, collecting \$558,470 more than what was budgeted for 2025. A few key factors that played into the additional revenue collected include the following components:

1. The District bases its electric revenue budget off of the 5-year average for kWh to help levelized the fluctuations from year to year with weather events. The 5-year average projects for 2025 were 78.8 million kWh. The actual kWh usage for 2025 was 81 million kWh. The electric department also had an increase of 46 new service connections in 2025 which contributed to the increased revenue compared to what was budgeted. The water department had an increase of 36 new service connections in 2025.
2. The LGIP investment continued with steady growth, even with the interest rate decreasing to 3.87% by yearend. The total interest earned for 2025 was \$92 thousand, over the \$54 thousand budgeted for 2025.

The District's operating expenses include purchased power, transmission and distribution, customer services, and administrative and general expenses. The Distribution Operating & Maintenance ended the year just over 95% of what was budgeted for 2025. This was largely because the crews worked on major construction work plan projects, rather than maintenance projects. \$160 thousand that was budgeted for this line item instead went towards construction projects, which are capitalized and expensed through depreciation over time. The Energy Services (purchased power costs) was 10% lower than budgeted for the year. The winter months of 2025 were warmer than projected through BPA's rate impact model, which reduced the power costs. General and Administrative was over budget by 5% with increases generally from how labor was allocated to G&A rather than Distribution Operating and Maintenance. Tax, Depreciation and Interest was just 1% over budget. Overall, the total expenditures for the District finished the year at 97% of its annual budget.

STATUS OF THE BUDGET

The Net Operating Margin for 2025 ended at \$1.82 million, which is \$938 thousand more than the 2025 budget. It's important for the District's commission and customers to understand what the Net Operating Margin is used for. The income statement does not include the principal portion of the District's debt service, or any of the designated reserve funding approved through the budget. It also only includes a portion of the capitalized construction work plan, which is depreciated over a period of time. Here are the key components of how the Net Operating Margin is allocated:

1. At the end of 2025, the District invested just over \$10.3 million in capital assets and ongoing construction work plan projects. Of the \$10.3 million in projects, \$8.3 million was paid through grants, with the balance paid through a combination of designated reserves, and a portion net operating margins.
2. At the end of 2025, the District had \$11.8 million in outstanding debt, an overall decrease of \$972,031. The principal portion paid comes out of the net operating margin total.
3. The District has a policy goal to reach 90 days general cash on hand, not including the designated reserves. To reach this goal, the District budgeted to fund five days a year, which equates to approximately \$152,000 annually that is set aside. Cash on Hand is a savings account, of sorts, that ensures that the District can continue to make payroll and cover operating expenses if there is a catastrophic event or severe economic downturn that limits the PUD's ability to collect revenue. In this case, the board-set policy goal is to be able to cash flow operations for up to three months.
4. In addition to cash on hand, the District also designated \$200,000 to its equipment replacement fund to pay for fleet replacement vehicles, like bucket trucks, water service trucks, and equipment., and \$342,000 towards its capital work plan fund to pay for larger infrastructure upgrades.

REQUESTS FOR INFORMATION

This financial synopsis is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed Katie Arnold, District Treasurer at N. 21971 Hwy. 101, Shelton, WA 98584 or (360) 877-5249.

**CONTINUE READING FOR 2024 AUDITED FINANCIALS
AND FEDERAL SINGLE AUDIT.**



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Public Utility District No. 1 of Mason County

For the period January 1, 2024 through December 31, 2024

Published September 29, 2025

Report No. 1038216



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**Office of the Washington State Auditor
Pat McCarthy**

September 29, 2025

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Public Utility District No. 1 of Mason County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	8
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	60

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Public Utility District No. 1 of Mason County January 1, 2024 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Public Utility District No. 1 of Mason County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
14.251	Economic Development Initiative, Community Project Funding, and Miscellaneous Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Public Utility District No. 1 of Mason County January 1, 2024 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Mason County, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 25, 2025

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Public Utility District No. 1 of Mason County January 1, 2024 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Public Utility District No. 1 of Mason County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2024. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

We noted certain matters related to compliance that we have reported to the management of the District in a separate letter dated September 25, 2025.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain other matters that we have reported to the management of the District in a separate letter dated September 25, 2025.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Mason County January 1, 2024 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Public Utility District No. 1 of Mason County, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Mason County, as of December 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in 2024, the District adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2025

FINANCIAL SECTION

Public Utility District No. 1 of Mason County January 1, 2024 through December 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2024

Statement of Revenues, Expenses and Changes in Fund Net Position – 2024

Statement of Cash Flows – 2024

Notes to Financial Statements – 2024

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – PEBB – 2024

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2024

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2024

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2024

Notes to the Schedule of Expenditures of Federal Awards – 2024

Mason County Public Utility District #1
Management Discussion and Analysis
December 31, 2024

As Management of Mason County PUD #1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2024, with additional comparative data for 2023.

Overview of the Financial Statements

The following Management Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements and accompanying notes, and if applicable, any other supplementary information required as part of the basic financial statements.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the full-accrual basis of accounting, where the revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund(s).

The basic financial statements, presented for the year ended December 31, 2024, are comprised of:

- **Statement of Net Position:** The Statement of Net Position presents information on the District's assets, liabilities, deferred outflows and inflows of resources, and net position (equity) of the District at year-end. The net position section is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.
- **Statement of Revenue, Expenses, and Changes in Fund Net Position:** This statement provides detail on the revenues and expenses for the year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through user fees and other charges.
- **Statement of Cash Flows:** The Statement of Cash Flows provides information on the sources and uses of cash separated into three categories of activities: operating, capital and related financing, and investing.

The Notes to the Financial Statements provided at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the District's financial statements.

Financial Analysis

The District's assets and deferred outflows exceeded liabilities and deferred inflows by just over \$45 million at the close of fiscal year 2024. Net position over time may serve as a useful indicator of a government's financial position.

Condensed Financial Information for December 31, 2024 and 2023 (In Thousands)

Statement of Net Position	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Current Assets and Special Funds	6,792	7,883	-14%
Net Capital Assets	56,082	46,617	20%
Net Pension Asset	709	836	-15%
Total Assets	<u>63,583</u>	<u>55,336</u>	15%
Deferred Outflow of Resources	1,421	1,173	21%
Current Liabilities	3,339	2,396	39%
Non-Current Liabilities	<u>15,119</u>	<u>14,337</u>	5%
Total Liabilities	18,459	16,730	10%
Deferred Inflows of Resources	884	962	-8%
Net Investments in Capital Assets	42,203	33,561	26%
Restricted for Customer Deposits	86	108	-20%
Restricted for Debt Service	945	997	-5%
Restricted for Net Pension Asset	<u>1,315</u>	<u>1,060</u>	24%
Unrestricted	<u>1,112</u>	<u>3,091</u>	-64%
Total Net Position	45,661	38,817	18%

The largest portion of the District's net position (92 percent) reflects investments in capital assets (land, buildings, substations, water infrastructure, wellhouses and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers. Although the District's investments in capital assets are reported net of related debt, it's

important to note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

5 percent of the District’s net position reflects resources that are subject to external restrictions on how they may be used. Specifically restricted for debt service payments and customer deposits. The remaining 3 percent is unrestricted and may be used to meet the District’s ongoing obligations.

The District’s overall net position increased by just over \$6.8 million from the prior fiscal year. The reasons for this increase are discussed in the following sections.

Statement of Revenues, Expenses and Change in Net Position

	2024	2023	% Change
Operating Revenues	13,836	13,220	5%
Operating Expenses	(11,381)	(11,089)	3%
Net Operating Income	2,455	2,131	13%
Non-Operating Revenues	4,950	1,962	152%
Non-Operating Expenses	(511)	(487)	5%
Net Operating Revenue (Expenses)	4,439	1,475	200%
Change In Net Position	6,894	3,606	91%
Net Position - Beginning of Year	38,767	35,211	10%
Net Position - End of Year	45,661	38,817	18%

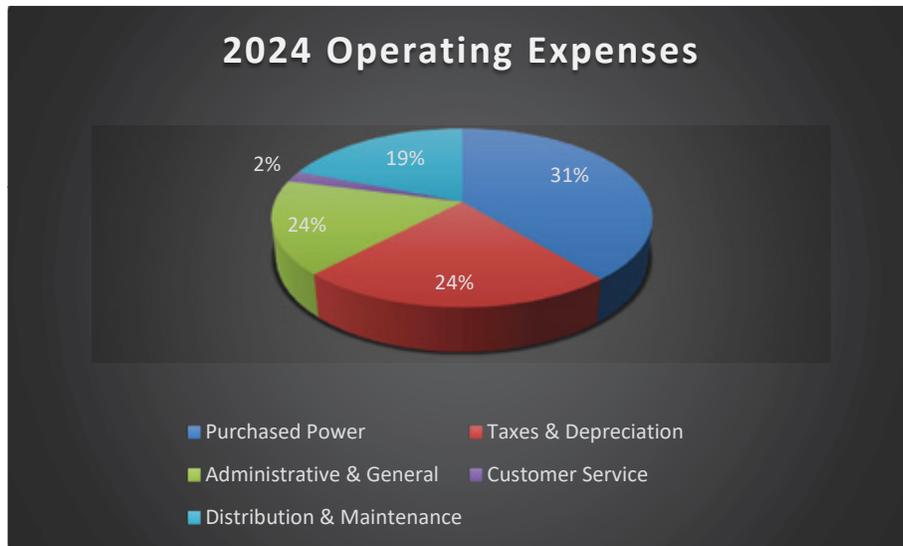
The District’s total operating revenue increased by \$616 thousand dollars from 2023 to 2024 to \$13.8 million. Kilowatt hour sales decreased to 81.1 million kWh’s as compared to 2023’s total of 83.7 million kWh’s. Even though the electric usage decreased in 2024, the District continued to have new electric service connections. In 2024, the District received a Revenue Distribution Credit from Bonneville Power Administration. The Board voted to pass that credit onto its ratepayers, which equated to \$326,159, which reduced the overall revenue of the District. Even with the energy credit issued to electric ratepayers and the reduction in kWh sales, the overall revenue increased by 5% as compared to 2023 due to the annual rate increase for the monthly basic charge and kWh usage charge. Other non-operating revenues saw a significant increase from 2023’s \$1.4 million to 2024’s \$4.4 million. A majority of the increase is from grant funding received in 2024. The District has been very aggressive when applying for grant funding to assist with various electric and water projects, such as line rebuilds converting from overhead to underground lines to harden the District’s infrastructure to withstand

against major storms and disasters. The water division had several mainline replacement projects, in addition to storage projects to increase capacity at various water systems and improve water quality and distribution to its ratepayers.

In 2024, the District's revenue was primarily residential, making up 82% of the overall revenue for 2024, with general covering 16%, and the remaining 2% made up of other miscellaneous revenue, including street lights.



The District's operating expenses include purchased power, transmission and distribution, customer services, and administrative and general expenses. Overall, the operating expenses increased by \$338 thousand dollars from 2023 to 2024. The increase in labor and material costs played a part in the overall change over 2023, as well as an increase in maintenance work crews performed, rather than capital projects.



In summary, Staff continued to work extremely hard to monitor costs and the cash flow very closely to ensure that the District remained financially stable. Grant funded construction projects have been key to allow the District to complete much need infrastructure upgrades for both electric and water departments, without going out for additional loan funding.

The District adopted GASB 100, Accounting Changes and Error Corrections, as well as GASB 101, Compensated absences. As required by GASB Statement No. 101, the implementation of GASB 101 is applied retroactively. This resulted in a restatement of the District’s beginning net position as of January 1, 2024 for the cumulative effect of the change, with a reduction of \$49,358.78 in the beginning year net position.

Capital Asset and Long-Term Debt Activity

At the end of 2024, the District invested just over \$3.4 million in capital assets. The investment includes land, distribution, general plant, and equipment. The total increase in the District’s investment from 2022 to 2023 was 7%.

Capital Assets (in thousands)

	2024	2023	% Change
Land	1,282	1,282	0%
Plant in Service	64,776	61,327	6%
Construction Work in Progress	12,784	5,139	249%
Total Capital Assets	78,842	67,747	16%

Construction in progress saw an increase of 249% as compared to 2023. The District has several large projects that were in progress at the end of 2024. A larger balance is expected to continue as the District continues to bid larger construction projects, with the Manzanita substation construction underway with a completion date by the end of 2025. More detailed information about the District’s construction work in progress is presented in Note 4 to the financial statements.

Long Term Debt – At the end of 2024, the District had \$13.8 million in outstanding debt.. The District did acquire new debt in 2024, with a line of credit through CoBank to assist with cash flow related to grant reimbursements, as well as to finish construction of the Manzanita Substation. The District continues to allocate 1% of its revenue from rates towards paying down long-term debt at a faster pace than the amortization schedules show. The additional 1% funded each year will allow the District to pay off its current debt 5-10 years faster. More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.

Requests for Information

The financial reports are designed to provide a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to the District Accountant at N. 21971 Hwy. 101, Shelton, WA 98584.

Mason County PUD #1
Statement of Net Position
December 31, 2024

ASSETS:

Current Assets:

Cash and Cash Equivalents		
Cash & Working Funds	\$	60,894
Investments	\$	1,402,498
Accounts Receivable (net)	\$	1,193,180
Accounts Receivable (other)	\$	362,967
Inventories	\$	2,734,152
Prepayments	\$	7,643
		<hr/>
TOTAL CURRENT ASSETS	\$	5,761,334

Noncurrent Assets:

Restricted Assets		
Debt Service Reserves	\$	945,570
Customer Deposits	\$	85,552
Net Pension Asset	\$	709,060
Total Noncurrent Assets	\$	1,740,182

Capital Assets Not Being Depreciated:

Construction In Progress	\$	12,783,955
Land & Land Rights	\$	1,281,751
Total Capital Assets Not Being Depreciated	\$	14,065,706

Capital Assets Being Depreciated:

Distribution	\$	49,801,596
General Plant	\$	11,612,861
Transmission	\$	3,361,470
Less: Accumulated Depreciation	\$	(22,759,477)
Total Capital Assets Being Depreciated (Net)	\$	42,016,450

Total Capital Assets	\$	56,082,156
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TOTAL NONCURRENT ASSETS	\$	57,822,338
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TOTAL ASSETS	\$	63,583,672
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Deferred Outflows Of Resources:

Outflows of Resources Relating to ARO's	\$	41,811
Outflows of Resources Relating to OPEB	\$	412,892
Outflows of Resources Relating to Pensions	\$	966,130
TOTAL OUTFLOWS OF RESOURCES:	\$	1,420,833

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	65,004,505
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The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Net Position
December 31, 2024

LIABILITIES

Current Liabilities:

Accounts Payable	\$	1,995,946
Consumer Deposits	\$	88,159
Current Portion of Bonds, Notes and Loans Payable	\$	903,632
Current Portion of OPEB Liability	\$	98,670
Other Current Liabilities	\$	<u>253,117</u>

TOTAL CURRENT LIABILITIES \$ 3,339,525

Noncurrent Liabilities:

Accrued Vacation And Holidays	\$	632,943
Asset Retirement Obligations	\$	41,811
Long Term Debt - Loans	\$	4,500,233
Long Term Debt - Bonds	\$	8,478,029
OPEB	\$	1,171,286
Net Pension Liability	\$	<u>295,346</u>

TOTAL NONCURRENT LIABILITIES \$ 15,119,648

TOTAL LIABILITIES \$ 18,459,173

Deferred Inflows of Resources:

Deferred Inflows Related to OPEB	\$	542,250
Deferred Inflows Related to Pensions	\$	<u>341,678</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	<u>883,928</u>

NET POSITION

Net Investments in Capital Assets	\$	42,202,525
Restricted for Customer Deposits	\$	85,552
Restricted for Debt Service	\$	945,570
Restricted for Net Pension Asset	\$	1,315,576
Unrestricted	\$	<u>1,112,181</u>

TOTAL NET POSITION \$ 45,661,404

TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES **\$ 65,004,505**

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD No. 1
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2024

OPERATING REVENUES:

Sales - Residential	\$	11,337,168
Sales - General	\$	2,278,586
Sales - Street Lights	\$	14,958
Other Revenues	\$	<u>205,729</u>
Total Operating Revenues	\$	13,836,442

OPERATING EXPENSES:

Cost of Purchased Power	\$	3,546,345
Transmission Expense	\$	22,685
Distribution & Maintenance Expense	\$	2,161,623
Customer Service Expense	\$	266,695
General Administration	\$	2,641,360
Depreciation & Amortization	\$	1,826,264
Taxes	\$	<u>916,063</u>
Total Operating Expenses	\$	<u>11,381,035</u>

OPERATING INCOME	\$	2,455,407
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NON-OPERATING REVENUE(EXPENSES):

Revenue from Merchandising/Jobbing and Contract Work	\$	105,164
Costs and Expenses Merchandising Jobbing and Contract work	\$	(60,605)
Interest and Dividend Income	\$	156,753
Interest Expense and Related Charges	\$	(450,555)
Other Non-Operating Revenues	\$	<u>4,687,875</u>
Total Non-Operating Revenues(Expenses)	\$	<u>4,438,632</u>

CHANGE IN NET POSITION	\$	6,894,039
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Total Net Position	January 1, 2024	\$	<u>38,767,365</u>
Total Net Position	December 31, 2024	\$	<u><u>45,661,404</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Cash Flows
For the Year Ended December 31, 2024

CASH FLOWS from OPERATING ACTIVITIES:

Receipts from Customers	\$	14,108,418
Receipts from Grants	\$	3,622,063
Payments to Suppliers	\$	(4,983,469)
Payments to Employees	\$	<u>(4,596,182)</u>
Net Cash Provided(used) by Operating Activities	\$	<u>8,150,830</u>

CASH FLOWS from CAPITAL FINANCING ACTIVITIES:

Proceeds from Capital Debt	\$	1,737,121
Purchases of Capital Assets	\$	(12,497,078)
Principal Paid on Capital Debt	\$	910,320
Interest Paid on Capital Debt	\$	<u>(471,741)</u>
Net cash Provided (Used) by Capital and Related Financing Activities	\$	<u>(10,321,378)</u>

CASH FLOWS from INVESTING ACTIVITIES

Interest and Dividends		
Net Cash Provided by Investing Activities	\$	<u>156,753</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	(2,013,794)
Cash and Cash Equivalents Balances - Beginning of Year	\$	<u>4,508,309</u>
Cash and Cash Equivalents Balances - End of Year	\$	<u><u>2,494,515</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Cash Flows
For the Year Ended December 31, 2024

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$	2,455,407
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	\$	1,826,264
Receipts from Grants	\$	3,622,063
Other Deductions	\$	-
Change In Assets and Liabilities		
Accounts and Other Payable	\$	1,216,166
Inventories	\$	(1,035,296)
Prepayments	\$	(6,933)
Receivables - Net	\$	<u>118,858</u>
Net Cash Provided by Operating Activities	\$	<u><u>8,196,529</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

Public Utility District No. 1 of Mason County (the PUD) was incorporated on November 6, 1934 and operates under the laws of the state of Washington applicable to a public utility.

The PUD is a special purpose government and provides electric, water, and sewer services to the general public. The PUD is primarily supported through user charges (or where the governing body has decided that periodic determination of net income is needed).

An elected 3-member board of commissioners governs the PUD. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The PUD has no component units.

B. Basis of Accounting and Presentation

The accounting records of the PUD are maintained in accordance with methods prescribed by the United States Department of Agriculture, Rural Utilities Services (RUS) and the State Auditor under the authority of Chapter 43.09 RCW. The PUD uses the Uniform System of Accounts – Electric, RUS Bulletin 1767B-1.

The PUD uses the full-accrual basis of accounting, where the revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund(s).

The PUD distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the PUD's principal ongoing operations. The principal operating revenues of the PUD are charges to customers for power, water, and sewer. Operating expenses for the PUD include cost of operations and maintenance, administrative and customer service, depreciation, taxes and debt amortization. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the PUD's policy to invest all temporary cash surpluses, in excess of the operating reserve in the Washington State Treasurer's Investment Pool. At December 31, 2024, the

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

treasurer was holding \$2,348,068 in short term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents, restricted assets, and investments in various funds.

For the purposes of the Statement of Cash Flows, the PUD considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – See Note 2, Deposits and Investments.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Notes and contract receivables consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

The PUD writes off accounts deemed to be uncollectible to the bad debt expense account.

4. Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the individual inventory items are consumed. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the balance is not available for future expenditures. A comparison market value is not necessary.

Inventories are expensed using the FIFO reporting method, where the inventory acquired first is expensed, over time.

5. Restricted Assets

These accounts contain resources for debt service and customer deposits. Specific debt service reserve requirements are described in Note 8, Long-Term Debt.

The restricted assets of the district are composed of the following:

Cash and Investments – Debt Service	\$945,570
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Cash and Investments – Customer Deposits	\$85,552
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6. Capital Assets and Depreciation – See Note 3.

7. Leases

The District is a lessee for leases and has established, through policy, a threshold for determining when it is necessary to recognize a lease liability on the District’s financial statements. The threshold adopted through policy is 1% of the District’s 10% net investment

in capital assets. The District reviews the threshold on an annual basis, relative to the lease liability value to evaluate whether the value exceeds the established threshold. If at any time the lease liability exceeds the threshold, the District will follow the measures noted below for recognizing a lease on the financial statements. As of December 31, 2024 the total lease liability is \$2,767. The threshold as of December 31, 2024 is \$42,203. Since the liability is less than the established threshold, the District did not recognize a lease liability on the government wide financial statements for 2024.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line method over its useful life.

Key estimates and judgment related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require remeasurement of its lease, and will remeasure the leased asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The PUD accrues unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 1200 hours, is payable upon resignation, retirement, or death.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to / deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose,

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair market value.

For purposes of calculating the restricted net position related to the net pension asset, the district includes the net pension asset and the related deferred outflows and deferred inflows.

10. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

11. Long-Term Debt – See Note 8.

12. Net Position Classification

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

13. GASB 100 and 101 Implementation

In 2024, the District adopted the provisions of GASB 100, Accounting Changes and Error Corrections, as well as GASB 101, Compensated Absences. Please see Note 13 for additional information on the affects these GASB implementations had on the District's financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2024 was \$2,494,514.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository institution, the district would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Therefore, there are no policy and no custodial credit risks.

B. Investments

It is the District’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in Local Government Investment Pool (LGIP)

The district is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawal.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Investments Measures at Fair Value

The PUD measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2024, the district had the following investments measured at fair value:

Investments by Fair Value Level	12/31/2024	Fair Value Measurement Using		
		Quoted Price in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Class A Equity Investment	\$ 10,000	\$ 10,000	\$ -	\$ -
<hr/>				
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	\$ 2,338,068			
<hr/>				
Total Investments in Statement of Net Position	\$2,348,068			

NOTE 3- CAPITAL ASSETS AND DEPRECIATION

Capital assets are defined by the PUD as assets with individual costs of more than \$2,500 and an estimated useful life in excess of 1 year.

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Utility Plant in Service (and other capital assets) are recorded at cost (where the historical costs are known) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 10 to 36 years. Deprecation expense for fleet is allocated to maintenance and repairs, based on the payroll hours designated each month to those corresponding GL accounts. For 2024, \$268,043 in depreciation expense was allocated to various maintenance and repair GL accounts and not included in the depreciation expense line item on the Statement of Revenues, Expenses and Changes in Fund Net Position.

Capital asset activity for the year ended December 31, 2024 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated				
Land	\$ 1,281,751	\$ 0.00	\$ 0.00	\$ 1,281,751
Construction in Progress	\$ 5,139,108	\$ 11,967,518	\$ (4,322,671)	\$ 12,783,955
Total Utility Plant Not Being Depreciated	\$ 6,420,859	\$ 11,967,518	\$ (4,322,671)	\$ 14,065,706
Utility Plant Being Depreciated				
Distribution and Transmission Plant	\$ 50,076,729	\$ 3,763,930	\$ (677,593)	\$ 53,163,066
General Plant	\$ 11,249,822	\$ 503,229	\$ (140,190)	\$ 11,612,861
Total Utility Plant Being Depreciated	\$ 61,326,551	\$ 4,267,159	\$ (817,783)	\$ 64,775,927
Less Accumulated Depreciation	\$ (21,130,683)	\$ (2,410,925)	\$ 782,131	\$ (22,759,477)
Total Utility Plant Being Depreciated (Net)	\$ 40,195,868	\$ 1,856,234	\$ (35,652)	\$ 42,016,450
Total Utility Plant (Net)	\$ 46,616,727	\$ 13,823,752	\$ (4,358,323)	\$ 56,082,156

NOTE 4-CONSTRUCTION AND OTHER SIGNIFICATN COMMITMENTS

Construction Commitments –

The District has active construction projects as of December 31, 2024 for both the electric and water divisions. The electric projects include the construction of the Manzanita Substation, with planned completion by the end of 2025. For the water division, there are several projects in the design phase, including mainline replacement, iron and manganese treatment, and whole system upgrades. The Lake Arrowhead Manganese Treatment was 98% complete at the end of 2023, and Agate Beach Water System Upgrades phase 2 was 100% complete at yearend.

At year-end the District’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Manzanita Substation	\$ 3,372,129	\$ 1,570,584
Electric System Wide Resiliency Upgrades	\$ -	\$ 3,600,000
Manzanita Water Campus Project	\$ 366,949	\$ 3,500,000
Shadowood Water System Upgrades	\$ 270,660	\$ 2,674,647
Agate Beach Phase 3 Water System Upgrades	\$ 279,921	\$ 253,064
Lake Arrowhead Mainline Replacement Ph. 2	\$ 1,601,679	\$ 1,574,700
Vuecrest Water System Upgrades	\$ 1,263,276	\$ 152,249
Ripplewood Mainline Replacement	\$ 545,778	\$ 17,405
Bay East Iron & Manganese Treatment	\$ 108,546	\$ 705,047
Canal View Water System Upgrades	\$ 154,667	\$ 313,592

(The committed balance of \$14,361,288 is secured through grants, designated reserve funding, and State Revolving Fund loans. No additional funding will be required for future financing).

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2024:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$295,346)
Pension assets	\$709,060
Deferred outflows of resources	\$966,128
Deferred inflows of resources	(\$341,678)
Pension expense/expenditures	(\$29,749)

State Sponsored Pension Plans

Substantially all district’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement

NOTE 5 – PENSION PLANS (Continued)

plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

NOTE 5 – PENSION PLANS (Continued)

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan

PERS Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS **Plan 2/3** employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for the fiscal year were as follows:

Timeframe	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January - June	6.36%	2.97%	0.20%	9.53%
July - August	6.36%	2.47%	0.20%	9.03%
September - December	6.36%	2.55%	0.20%	9.11%

Plan	Employer Contribution Rate
PERS 1	6.00%
PERS 2	6.36%
PERS 3	Varies: 5% - 15%

The district’s actual PERS plan contributions were \$90,934 to PERS Plan 1 and \$210,450 to PERS Plan 2/3 for the year ended December 31, 2024.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2023 Economic Experience Study*.

NOTE 5 – PENSION PLANS (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS1.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

NOTE 5 – PENSION PLANS (Continued)

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the district’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the district’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	434,447	295,346	173,352
PERS 2/3	1,278,216	(709,060)	(2,341,168)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the district’s reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$295,346
PERS 2/3	(\$709,060)

NOTE 5 – PENSION PLANS (Continued)

At June 30, the district’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/23	Proportionate Share 6/30/24	Change in Proportion
PERS 1	.015824%	.016622%	.000798%
PERS 2/3	.020399%	.021509%	.001110%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2024, the district’s recognized pension expense as follows:

	Pension Expense
PERS 1	\$15,380
PERS 2/3	(\$45,129)
TOTAL	(\$29,749)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024, the district’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(23,633)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$41,567	\$0
TOTAL	\$41,567	\$(23,633)

NOTE 5 – PENSION PLANS (Continued)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$402,903	\$(1,642)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(203,196)
Changes of assumptions	\$391,544	\$(44,926)
Changes in proportion and differences between contributions and proportionate share of contributions	\$25,381	\$(68,281)
Contributions subsequent to the measurement date	\$104,733	\$0
TOTAL	\$924,561	\$(318,045)

Deferred outflows of resources related to pensions resulting from the district’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2025	\$(39,111)
2026	\$20,093
2027	\$(2,127)
2028	\$(2,488)
2029	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2025	\$(159,637)
2026	\$299,107
2027	\$126,587
2028	\$125,196
2029	\$59,959
Thereafter	\$48,567

NOTE 6 – DEFERRED COMPENSATION PLAN

The PUD offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The assets held in the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 7 – RISK MANAGEMENT

The PUD purchases their liability insurance from Federated Rural Insurance Corporation. The PUD maintains a \$2,000,000 all-risk blanket with a \$15,000,000 umbrella policy. No insurance settlements have exceeded insurance coverage in the past 3 years. The risk of loss to the PUD is covered by:

- Liability coverage in the amount of \$21,642,633. This covers general liability, property damage, automobile coverage, personal injury, medical payments, and valuable papers.
- Employee dishonesty, money, and securities in the amount of \$4,000,000.
- Directors, Officers and Managers Liability and Corporate Indemnification Policy in the amount of \$1,000,000.
- Workers Compensation Insurance of \$100,000.
- Public Official Bond for the Treasurer in the amount of \$1,000,000.

NOTE 8 – LONG-TERM DEBT

Long-Term Debt

The District issues a combination of RUS Bonds and Revenue Bonds for both electric and water divisions. The Bonds were purchased for electrical distribution, transmission and special equipment replacement and additions. They include wire, transformers, meters, conduit, and poles, and other electrical equipment. PWTF and Water Bond Loans were purchased for water distribution, transmission and meter replacement and additions, including piping, pumps, well houses, reservoirs, wells and many other water related equipment.

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Electric System RUS Revenue Bonds	2045	2.853%	3,880,000	119,385
Electric System Revenue Bonds 2014	2014-2033	3.00%	3,585,000	180,000
Electric System Revenue Bonds 2018	2019-2038	4.00%	6,730,000	285,000
Water System Revenue Bonds 2018	2032	3.44%	3,000,000	199,000

NOTE 8 – LONG TERM DEBT (Continued)

Revenue bond debt service requirements to maturity are as follows:

Calendar Year Ending December 31, 2024:

Year	Principal	Interest	Total
2025	905,892	426,830	1,332,722
2026	922,662	395,629	1,318,291
2027	921,105	348,318	1,269,423
2028	969,422	330,668	1,300,090
2029	999,973	308,505	1,308,478
2030	1,063,218	259,136	1,322,354
2031-2035	3,872,463	758,656	4,631,119
2036-2040	1,951,923	208,892	2,160,815
2041-2045	477,539	28,935	506,474
TOTAL	\$12,084,197	\$3,065,569	\$15,149,766

Debt issuance costs are expensed in the period incurred and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium.

At December 31, 2024 the District has \$490,468 available in debt service funds to service the revenue bonded debt. Restricted assets contain \$945,570 in reserves required by bond indentures.

On June 6th, 2014, the PUD issued a \$3,585,000 bond for refinancing the RUS debt of 5%. The bonds bear an average interest rate of 2% to 5% and will be redeemed over the next 20 years. This bond replaces the RUS debt that was to be amortized over the next 28 years. The total savings over the next 20 years is \$874,000. The bond was sold at a premium of \$55,251.50 and has a current balance of \$2,000,000 and a maturity date of December 01, 2033.

On July 24, 2018, the PUD issued \$6,730,000 in revenue bonds to pay off the \$3,000,000 Key Bank Line of Credit and use the remaining funds for infrastructure construction. The bonds bear an average interest rate of 4%, sold at a premium of \$268,331.25, and has a current balance of \$5,230,000, with a maturity date of December 01, 2038. These revenue bonds are tax-exempt and must follow the federal arbitrage regulations. The arbitrage yield for these bonds is 3.358627%.

On April 27, 2018, the PUD issued a \$3,000,000 bond to purchase 32 water systems from Thurston County PUD for \$1,191,357.80, with the remaining funds to be used for infrastructure improvements. The bond bears an interest rate of 3.44%, with a maturity date of 12/01/2032. The balance of the bond at yearend is \$1,737,000. These revenue bonds are tax-exempt and must follow the federal arbitrage regulations. The arbitrage yield for these bonds is 3.4395%.

NOTE 8 – LONG TERM DEBT (Continued)

The PUD has Public Works Trust Fund Loans (PWTF) and Drinking Water State Revolving Fund Loans (DWSRF) for its water systems. The interest rate averages 1% over 20 years.

At December 31, 2024 the balance of the PWTF & DWSRF Loans was \$1,224,968, detailed as follows:

<u>System</u>	<u>Balance</u>	<u>Maturity</u>	<u>Loan Number</u>
Arcadia Estates Water	\$5,050	10/01/2025	PW-05-691-034
Canal Tracts Water	\$9,313	10/01/2025	PW-05-691-037
Canal Mutual Water	\$41,099	07/01/2027	PW-07-962-302
Hoodsport Water	\$121,960	10/01/2029	PW-99-65199-035
Madrona Beach	\$25,631	10/01/2030	DR-09-952-070
Hood Canal Water	\$184,981	10/01/2031	PC12-951-081
Ripplewood Water	\$143,055	10/01/2046	DWL27245
Canal View Water	\$57,873	10/01/2045	DWL26238
Lake Arrowhead	\$514,952	10/01/2046	DWL27176
Shadowood Water	\$121,054	10/01/2045	DWL26162

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2018 Water Revenue Bonds	1,930,000		193,000	1,737,000	199,000
2014 Revenue Bonds	2,175,000		175,000	2,000,000	180,000
2014 Bond Premium	30,388		2,763	27,625	2,765
RUS Loans	2,536,923		149,231	2,387,693	119,385
PWTF Loans	466,054		78,020	388,034	78,020
DWSRF Loans	214,836	637,121	15,023	836,934	15,023
2018 Electric Revenue Bonds	5,505,000		275,000	5,230,000	285,000
2018 Bond Premium	196,895		22,283	174,612	24,439
Line of Credit	0.00	1,100,000	0.00	1,100,000	
Total Long-Term Debt	13,055,096	1,737,121	910,320	13,881,898	903,632

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
2018 Water Bonds	1,930,000		193,000	1,737,000	199,000
2014 Revenue Bonds	2,175,000		175,000	2,000,000	180,000
2014 Bond Premium	30,384		2,763	27,621	2,765
2018 Electric Revenue Bonds	5,505,000		275,000	5,230,000	285,000
2018 Bond Premium	196,895		22,283	174,612	24,439
Total bonds payable	9,837,279	-	668,046	9,169,233	691,204
Loans Payable				-	
RUS Loans	2,536,924		149,231	2,387,693	119,385
PWTF Loans	466,054		78,020	388,034	78,020
Line of Credit	-	1,100,000		1,100,000	
DWSRF Loans	214,836	637,121	15,023	836,934	15,023
Total loans payable	3,217,814	1,737,121	242,274	4,712,661	212,428
Pension / OPEB Obligations	1,701,477		136,175	1,565,302	98,670
Compensated Absences	576,147	53,137		629,284	
Asset Retirement Obligations	27,342	14,469		41,811	
Total Long-Term Liabilities	15,360,059	1,804,727	1,046,495	16,118,291	1,002,302

NOTE 10 – CONTINGENCIES AND LITIGATION

The PUD has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved, but where, based on available information, management believes it is probably that the PUD will have to make payment. In the opinion of management, the PUD’s insurance policies are adequate to pay all known or pending claims.

The PUD participates in a number of federal-and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. PUD management believes that such disallowances, if any, will be immaterial.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2024:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$1,269,956
OPEB assets	\$0.00
Deferred outflows of resources	\$412,892
Deferred inflows of resources	\$542,250
OPEB expense/expenditures	\$109,586

The PUD belongs to the State of Washington’s Public Employees Benefits Board (PEBB), a single employer defined benefit plan, which provides medical and dental through private health insurance plans to eligible retirees. Retiree benefit provisions are established by Commission resolution.

Employees are eligible for reimbursement of medical and dental coverage provided that they retire from active employment with the PUD with 15 or more years of service. Employee retiree coverage continues for a maximum of 10 years. The elected Commissioners are eligible for payment of post-retirement benefits based on 18 years of service. They are not eligible for a percentage of employment by year and must serve 18 years to receive 54 percent for 10 years. The PUD funding policy and status is a pay as you go and there are no assets that accumulate in a qualifying trust. The PUD pays employees a portion of the premium cost based on years of service at retirement according the following schedule:

<u>Years of Service</u>	<u>District Percentage</u>	<u>Years of Service</u>	<u>District Percentage</u>
15	45%	23	69%
16	48%	24	72%
17	51%	25	75%
18	54%	26	78%
19	57%	27	81%
20	60%	28	84%
21	63%	29	87%
22	66%	30 or More	100%

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

(Continued)

Employees covered by benefit terms – At December 31, 2024, the following employees were covered by the benefit terms:

Participants	
Active Employees	28
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Inactive Employees Currently Receiving Benefits	<u>5</u>
TOTAL	33
Average Ages	
Active Employees	43.9
Inactive Employees Entitled to But Not Yet Receiving Benefits	----
Inactive Employees Currently Receiving Benefits	66.0
Average Service	
Active Employees	9.3

Changes in the Net OPEB Liability

	Total OPEB Liability
Balances as of 12/31/2023	\$1,340,257
Changes for the year:	
Service Cost	\$63,402
Interest on Total OPEB Liability	51,637
Changes of benefit terms	0
Difference Between Expected & Actual Experience	(59,735)
Changes of Assumptions and Other Inputs	(26,934)
Contributions – Employer	0
Contributions - Active & Inactive Employees	0
Net Investment Income	0
Benefit Payments ⁽²⁾	(98,670)
Administrative Expenses	0
Other Changes	0
Net Changes	<u>(\$70,301)</u>
Balances as of 12/31/2024	\$1,269,956

(1) Includes the Implicit Rate Subsidy.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

OPEB Expense

Service Cost	\$60,963
Interest on Service Cost	<u>2,439</u>
Total	\$63,402
Interest Cost	51,637
Difference Between Expected & Actual Experience	(9,797)
Changes of Assumptions and Other Inputs	<u>4,344</u>
Total	\$109,586

Deferred Outflows/Inflows of Resources

At December 31, 2024, the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected & Actual Experience	\$48,269	\$157,825
Changes of Assumptions	364,623	384,425
Net Difference Between Projected & Actual Earnings on OPEB Plan Investments	<u>0</u>	<u>0</u>
Total	\$412,892	\$542,250

For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in the table above that will be recognized in the employer's OPEB expense.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

(Continued)

Significant Assumptions

Health Care Trend Rates	
Initial Health Care Cost Trend Rate	7.00%
- HMO Medical Plan	
- PPO Medical Plan	7.00%
- Dental HMO Plan	3.50%
- Dental PPO Plan	4.50%
- Vision Plan	4.00%
Ultimate Health Care Cost Trend Rate	
- Medical Plans	4.50%
- Dental & Vision Plans	Constant for all years
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2039
Additional Information	
Valuation Date	January 1, 2024
Measurement Date	December 31, 2024
Actuarial Cost Method	Entry Age Normal (AMM)
Discount Rate	
- Beginning of the Fiscal Year	4.00%
- End of the Fiscal Year	4.28%
Inflation Rate	3.00%
Salary Rate Increase	3.50%
Funded Ratio	0.00%
(Fiduciary Net Position as a percentage of Total OPEB Liability)	
Covered Payroll	\$3,066,504
Net OPEB Liability as a Percentage of Covered Payroll	41.41%

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

(Continued)

Discount Rate

The District does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 4.28% is used, which is the S&P Municipal Bond 20-Year High-Grade Rate Index as of December 31, 2024.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

(Continued)

Difference Between Expected & Actual Experience (Economic & Demographic)

Difference	(59,735)
Average Expected Remaining Service Lives	10.51 years
<u>Amortization Schedule</u>	
Fiscal Years 2024 - 2033:	(\$5,681)
Fiscal Year 2034:	(\$2,922)

Changes of Assumption

<u>Change in Discount Rate</u>	
Difference	(33,730)
Average Expected Remaining Service Lives	10.51 years
<u>Amortization Schedule</u>	
Fiscal Years 2024 - 2033:	(\$3,208)
Fiscal Year 2034:	(\$1,650)

<u>Change in Health Care Trend Rates</u>	
Difference	\$60,317
Average Expected Remaining Service Lives	10.51 years
<u>Amortization Schedule</u>	
Fiscal Years 2024 - 2033:	\$5,737
Fiscal Year 2034:	\$2,951

<u>Change in Marital Status Assumption</u>	
Difference	(\$53,522)
Average Expected Remaining Service Lives	10.51 years
<u>Amortization Schedule</u>	
Fiscal Years 2024 - 2033:	(\$5,090)
Fiscal Year 2034:	(\$2,618)

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

Net Difference Between Projected & Actual Earnings on OPEB Plan Investments

Not applicable.

Future Deferred Outflows/Inflows of Resources

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending:	Outflows	Inflows
December 31, 2025	\$78,191	\$83,643
December 31, 2026	78,191	83,643
December 31, 2027	78,191	83,643
December 31, 2028	73,801	76,445
December 31, 2029	58,336	58,493
December 31, 2030	13,559	56,911
December 31, 2031	13,559	53,524
December 31, 2032	10,375	24,778
December 31, 2033	5,739	13,980
December 31, 2034	2,951	7,190

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 4.5 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 – percentage point lower (3.5%) or 1 – percentage point higher (5.5%) than the current rate.

Health Care Trend			
	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$1,430,875	\$1,269,956	\$1,136,508
Change	12.67%		(10.51%)

The following presents the total OPEB liability of the District calculated using the discount rate of 4.30 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.31%) or 1-percentage point higher (5.31%) than the current rate.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

Discount Rate			
	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability Change	\$1,160,756 (8.60%)	\$1,269,956	\$1,393,550 9.73%

Expected 10-Year Cash Flows

Fiscal Year Ending:	Estimated Benefit Payments
December 31, 2024	\$98,670
December 31, 2025	103,375
December 31, 2026	100,182
December 31, 2027	78,617
December 31, 2028	71,181
December 31, 2029	77,897
December 31, 2030	80,694
December 31, 2031	44,249
December 31, 2032	52,659
December 31, 2033	53,356

The projection of future cash flows is based on a closed group valuation. It does not take into account the impact of future new hires. It also includes the Implicit Rate Subsidy.

NOTE 12 –ASSET RETIREMENT OBLIGATIONS (ARO)

The District has identified two asset retirement obligations within its water department. The first ARO is a well located in the Twanoh Terrace water system. This well was damaged in 2001, due to the Nisqually Earthquake. Within the next five years, the Twanoh Terrace system will be consolidated with the Twanoh Heights water system, and will then share the well currently used only by Twanoh Heights. At that time, the Twanoh Terrace well will be decommissioned, pursuant to WAC 173-160-381, regulated by Department of Ecology. The second ARO is a well located in the Lake Arrowhead water system. Well 1 was abandoned due to ground water influence. The District has plans in the next 10 years to decommission the well, pursuant to WAC 173-160-381, regulated by Department of Ecology. The District contracted with an engineering firm to determine the cost of the obligations, which was established using the current value. There are no legally required funding provisions associated with these ARO's, and because the cost to decommission these wells are nominal, the District does not have assets restricted for payment of the liabilities.

NOTE 13 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

The District has implemented GASB Statement No. 101, Compensated Absences, effective for the fiscal year ended December 31, 2024. This new standard provides updated guidance on the recognition, measurement, and reporting of compensated absences, superseding GASB Statement No. 16.

The most significant change is the unified recognition and measurement model, particularly affecting the reporting of sick leave. Under GASB 101, a liability for unused, accumulated leave is recognized if it is “more likely than not” (a lower threshold than “probable”) to be used for time off or otherwise settled. While the District already recognizes compensated absences as a liability on its Statement of Net Position, including sick leave, the accrued liability did not include any applicable taxes such as Social Security and Medicare.

Cumulative Effect of Change in Accounting Principle

As required by GASB Statement No. 100, the implementation of GASB 101 is applied retroactively. This resulted in a restatement of the District's beginning net position as of January 1, 2024 for the cumulative effect of the change.

	Net Position, Beginning of Year 2024, as previously reported	Adjustment for implementation of GASB 101	Net Position, Beginning of Year 2024, as restated
Net Position	38,816,724.00	(49,358.78)	38,767,365.22

NOTE 14 - SEGMENT REPORTING				
	2024	2024	2024	
	Electric	Water	Sewer	TOTALS
CURRENT ASSETS				
Cash and Cash Equivalents				
Cash & Working Funds	\$ 60,894	\$ -	\$ -	\$ 60,894
Investments	\$ 1,103,046	\$ 288,631	\$ 10,821	\$ 1,402,498
Accounts Receivable - Net Sales	\$ 965,620	\$ 227,506	\$ 54	\$ 1,193,180
Accounts Receivable - Other	\$ 1,687,866	\$ (1,330,256)	\$ 5,358	\$ 362,967
Inventories	\$ 2,470,497	\$ 254,404	\$ 9,251	\$ 2,734,152
Prepayments	\$ 5,959	\$ 1,685	\$ -	\$ 7,643
Total Current Assets	\$ 6,293,882	\$ (558,032)	\$ 25,484	\$ 5,761,335
NON-CURRENT ASSETS				
Restricted Assets				
Debt Service	\$ 945,570	\$ -	\$ -	\$ 945,570
Customer Deposits	\$ 67,681	\$ 17,871	\$ -	\$ 85,552
Total Restricted Assets	\$ 1,013,251	\$ 17,871	\$ -	\$ 1,031,122
Net Pension Assets	\$ 709,060			\$ 709,060
Capital Assets Not Being Depreciated				
Land and Land Rights	\$ 977,691	\$ 304,060	\$ -	\$ 1,281,751
Construction in Progress	\$ 7,426,525	\$ 5,357,430	\$ -	\$ 12,783,955
Capital Assets Being Depreciated				
Transmission	\$ 3,361,470	\$ -	\$ -	\$ 3,361,470
Distribution	\$ 32,753,927	\$ 16,955,976	\$ 91,694	\$ 49,801,596
General Plant	\$ 8,402,351	\$ 3,199,008	\$ 11,502	\$ 11,612,861
Less: Accumulated Depreciation	\$ (16,311,341)	\$ (6,421,019)	\$ (27,118)	\$ (22,759,477)
Total Capital Assets Being Depreciated (Net)	\$ 28,206,406	\$ 13,733,966	\$ 76,078	\$ 42,016,450
Total Capital Assets	\$ 36,610,623	\$ 19,395,456	\$ 76,078	\$ 56,082,156
Total Non-Current Assets	\$ 38,332,933	\$ 19,413,327	\$ 76,078	\$ 57,822,338
Total Assets	\$ 44,626,816	\$ 18,855,295	\$ 101,561	\$ 63,583,673
Outflows of Resources Relating to ARO's	\$ -	\$ 41,811	\$ -	\$ 41,811
Outflows of Resources Relating to Pensions	\$ 966,130	\$ -	\$ -	\$ 966,130
Outflows of Resources Relating to OPEB	\$ 412,892	\$ -	\$ -	\$ 412,892
Total Outflows of Resources	\$ 1,379,022	\$ 41,811	\$ -	\$ 1,420,833
Total Assets and Deferred Outflows of Resources	\$ 46,005,838	\$ 18,897,106	\$ 101,561	\$ 65,004,505
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,995,946	\$ -	\$ -	\$ 1,995,946
Consumer Deposits	\$ 70,402	\$ 17,757	\$ -	\$ 88,159
Bonds, Notes and Loans Payable	\$ 611,589	\$ 292,043	\$ -	\$ 903,632
Current Portion OPEB	\$ 98,670	\$ -	\$ -	\$ 98,670
Other Current Liabilities	\$ 251,529	\$ 1,588	\$ -	\$ 253,117
Total Current & Accrued Liabilities	\$ 3,028,136	\$ 311,388	\$ -	\$ 3,339,525
Non-Current Liabilities:				
Accrued Vacation and Holidays	\$ 632,943	\$ -	\$ -	\$ 632,943
Asset Retirement Obligations	\$ -	\$ 41,811	\$ -	\$ 41,811
Long Term Debt - Loans	\$ 3,368,308	\$ 1,131,925	\$ -	\$ 4,500,233
Long Term Debt - Bonds	\$ 6,940,029	\$ 1,538,000	\$ -	\$ 8,478,029
OPEB	\$ 1,171,286	\$ -	\$ -	\$ 1,171,286
Net Pension Liability	\$ 295,346	\$ -	\$ -	\$ 295,346
Total Non-Current Liabilities	\$ 12,407,912	\$ 2,711,736	\$ -	\$ 15,119,648
Total Liabilities	\$ 15,436,049	\$ 3,023,124	\$ -	\$ 18,459,173
Deferred Inflow Related to Pensions	\$ 542,250	\$ -	\$ -	\$ 542,250
Deferred Inflow Related to OPEB	\$ 341,678	\$ -	\$ -	\$ 341,678
Total Inflows of Resources	\$ 883,928	\$ -	\$ -	\$ 883,928
Net Position				
Net Investments in Capital Assets	\$ 26,188,489	\$ 15,103,232	\$ 76,078	\$ 42,202,525
Restricted for Customer Deposits	\$ 67,681	\$ 17,871	\$ -	\$ 85,552
Restricted for Debt Service	\$ 945,570	\$ -	\$ -	\$ 945,570
Restricted for Net Pension Asset	\$ 1,315,576	\$ -	\$ -	\$ 1,315,576
Unrestricted	\$ 1,168,546	\$ 752,879	\$ 25,483	\$ 1,112,181
Total Net Position	\$ 29,685,862	\$ 15,873,982	\$ 101,561	\$ 45,661,404
TOTAL NET POSITION, LIABILITIES AND DEFERRED	\$ 46,005,838	\$ 18,897,106	\$ 101,561	\$ 65,004,505

NOTE 14 - SEGMENT REPORTING (CONTINUED)						
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION						
	2024	2024	2024	TOTAL		
	ELECTRIC	WATER	SEWER			
OPERATING REVENUES						
Sales - Residential	\$ 8,460,097	\$ 2,865,280	\$ 11,791	\$ 11,337,168		
Sales - General	\$ 2,277,187	\$ 1,399	\$ -	\$ 2,278,586		
Sales - Street Lights	\$ 14,958	\$ -	\$ -	\$ 14,958		
Miscellaneous Other Revenues	\$ 192,793	\$ 12,936	\$ -	\$ 205,729		
Total Operating Revenues	\$ 10,945,036	\$ 2,879,614	\$ 11,791	\$ 13,836,442		
OPERATING EXPENSES						
Cost of Purchased Power	\$ 3,387,942	\$ 157,739	\$ 664	\$ 3,546,345		
Transmission Expenses	\$ 22,685	\$ -	\$ -	\$ 22,685		
Distribution & Maintenance Expense	\$ 1,534,111	\$ 626,441	\$ 1,071	\$ 2,161,623		
Customer Service Expense	\$ 196,811	\$ 69,885	\$ -	\$ 266,695		
Administrative and General	\$ 2,001,967	\$ 635,391	\$ 4,002	\$ 2,641,360		
Depreciation	\$ 1,227,703	\$ 596,342	\$ 2,219	\$ 1,826,264		
Taxes	\$ 770,431	\$ 145,178	\$ 454	\$ 916,063		
Total Operating Expenses	\$ 9,141,650	\$ 2,230,974	\$ 8,410	\$ 11,381,035		
NET OPERATING INCOME	\$ 1,803,385	\$ 648,640	\$ 3,381	\$ 2,455,407		
NON-OPERATING REVENUE (EXPENSES)						
Revenue from Merchandising, Jobbing And Contract Work	\$ 78,035	\$ 27,129	\$ -	\$ 105,164		
Costs and Expenses of Merchandising, Jobbing and Contract Work	\$ (48,295)	\$ (12,310)	\$ -	\$ (60,605)		
Interest and Dividend Income	\$ 132,914	\$ 23,077	\$ 762	\$ 156,753		
Other Revenues	\$ 2,321,313	\$ 2,366,563	\$ -	\$ 4,687,875		
Interest on Long-Term Debt	\$ (374,948)	\$ (75,607)	\$ -	\$ (450,555)		
Total Non-Operating Revenue (Expenses)	\$ 2,109,018	\$ 2,328,852	\$ 762	\$ 4,438,632		
Change In Net Position	\$ 3,912,403	\$ 2,977,492	\$ 4,143	\$ 6,894,038		
Total Net Positon January 1	\$ 25,667,727	\$ 12,997,209	\$ 102,429	\$ 38,767,365		
Total Net Positon December 31	\$ 29,685,862	\$ 15,873,982	\$ 101,561	\$ 45,661,404		

NOTE 14 SEGMENT REPORTING (CONTINUED)	2024	2024	2024	TOTALS
	Electric	Water	Sewer	
Net Cash Provided(used) by Operating Activities	\$ 4,836,538	\$ 3,308,693	\$ 5,600	\$ 8,150,830
Net cash Provided (Used) by Capital and Related Financing Activities	\$ (7,919,674)	\$ (3,946,777)	\$ (30,871)	\$ (11,897,322)
Net Cash Provided by Investing Activities	\$ 132,914	\$ 23,077	\$ 762	\$ 156,753
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,950,223)	\$ (615,007)	\$ (24,509)	\$ (3,589,739)
Cash and Cash Equivalents Balances - Beginning of Year	\$ 5,127,414	\$ 921,509	\$ 35,330	\$ 6,084,253
Cash and Cash Equivalents Balances - End of Year	\$ 2,177,191	\$ 306,502	\$ 10,821	\$ 2,494,514

Mason County PUD No 1
Schedule of Changes in Total OPEB Liability and Related Ratios
OPEB
For the year ended December 31, 2024
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total OPEB liability - beginning	\$ 1,374,458	\$ 1,281,728	\$ 1,281,728	\$ 1,698,374	\$ 1,628,827	1,300,037	1,340,257			
Service cost	49,285	0	51,887	71,549	89,248	59,111	63,402			
Interest	48,477	0	39,131	31,577	35,609	53,725	51,637			
Changes in benefit terms	0	0	0	0	0.00	-	-			
Differences between expected and actual experience	14,022	0	87,628	0	(146,575)	-	(59,735)			
Changes of assumptions	(238,452)	(9,814)	373,411	(48,117)	(214,669)	34,430	(26,934)			
Benefit payments	(85,349)	0	(162,809)	(124,556)	(92,402)	(107,046)	(98,670)			
Other changes	119,287	0	27,399	0.00	0.00	-	-			
Total OPEB liability - ending	<u>1,281,728</u>	<u>1,271,914</u>	<u>1,698,374</u>	<u>\$ 1,628,827</u>	<u>1,300,037</u>	<u>1,340,257</u>	<u>1,259,956</u>			
Covered-employee payroll	1,963,561	2,127,984	1,997,349	1,997,349	2,544,072	2,544,072	3,066,504.00			
Total OPEB liability as a % of covered payroll	65.28%	59.77%	85.03%	82%	51%	50.9%	41.41%			

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is presented.
- ** No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.
- *** The ending balance reported as of December 31, 2019 for the 2020 actuary is \$9,814 more than what the District reported that same year on its financial statements and subsequent notes to the financial statements. The District has its actuary performed every two years and in the odd year, it amortizes the amounts for deferred inflows, outflows and OPEB expense. Because of this, there was a difference in amounts reported.

Required Supplementary Information

Missoula County PERS #1
 Schedule of Proportionate Share of Net Pension Liability
 For the Year Ended December 31, 2024
 Last 10 Fiscal Years *

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	PERS 1									
Statutory or contractually required contribution	30,384	104,983	103,247	103,386	109,937	105,246	103,465	91,298	92,467	-
Contributions in relation to the start-of-year or contractually required contributions	(80,894)	(104,983)	(103,247)	(103,386)	(109,937)	(105,246)	(108,465)	(91,298)	(92,467)	-
Contribution delinquency (net/d)	-	-	-	-	-	-	-	-	-	-
Covered employer payroll	3,388,852	3,125,663	2,745,799	2,426,159	2,291,460	2,127,984	2,043,194	1,861,852	1,941,779	1,956,229
Contributions as a percentage of covered employee payroll	3%	3%	4%	4%	5%	5%	5%	5%	5%	0%

Missoula County PERS #1
 Schedule of Proportionate Share of the Net Pension Liability
 As of June 30, 2024
 Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	PERS 1									
Employer's Proportionate Share of Net Pension Liability	295,346	361,220	445,554	182,001	510,375	600,375	628,818	694,774	902,132	848,457
Employer's Proportionate Share of Net Pension Asset	3,333,759	2,854,504	2,618,463	2,299,864	2,206,124	2,110,364	1,957,988	2,097,654	2,098,666	-
Covered Payroll	3,333,759	2,854,504	2,618,463	2,299,864	2,206,124	2,110,364	1,957,988	2,097,654	2,098,666	1,871,695
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	9%	13%	17%	8%	23%	28%	32%	35%	45%	46%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61%	57%	59.10%

**Public Utility District No. 1 of Mason County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Economic Development Initiative, Community Project Funding, and Miscellaneous grants	14.251	B-22-CP-WA- 0928	-	1,000,000	1,000,000	-	5
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Health)	Drinking Water State Revolving Fund	66.468	DWL28365	29,083	-	29,083	-	3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Hazard Mitigation Grant	97.039	D23-028	394,386	-	394,386	-	
Total Federal Awards Expended:				423,469	1,000,000	1,423,469	-	

The accompanying notes are an integral part of this schedule.

Mason County Public Utility District No. 1

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the district's financial statements. The district uses the accrual method.

Note 2 – Federal De Minimis Indirect Cost Rate

The district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were charged.

Note 3 – Federal Loans

The District was approved by the EPA and Drinking Water State Revolving Fund to receive loans totaling \$139,100 to improve its drinking water systems, which includes 100% loan forgiveness. The District drew \$29,082.55 against this award in 2024, with a balance of \$13,910.45 left to draw from.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the district's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 5 – Prior Year Expenditures

The District included \$59,201 of expenditures for its Economic Development grant (ALN 14.251) which took place in FY 2023.

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